PSA aims to overthrow lawyer "monopoly"

by Rae Mazengarb

THE PSA aims to revolutionise the legal profession.

If its plan is implemented unions and other organisations will provide members with a complete legal service which will render obsolete the traditional relationship between single client and single law firm or lawyer.

The PSA is examining a scheme for a group legal service, which, if feasible, will be referred to the PSIS for implementation.

The FOL and the NZ Drivers' Federation are among other groups which are interested in the concept — one that is fast gaining ground overseas.

The idea was floated last year following the announcement of steep increases in the minimum scale of lawyers' conveyancing fees — a move which prompted then chairman of the PSIS board of management, Jim Turner, to speak out publicly against what he called the profession's monopoly position.

THE LAW

Government lawyer Warwick Flaus, whose interest in the delivery of legal services had developed while studying in Canada, was encouraged by Turner's remarks to look at alternative systems.

He approached both the PSIS and PSA with a plan for a group legal service scheme. The PSIS — an ideal vehicle for such a scheme because of its membership of over 180,000 — could employ its own lawyers and support staff to work full time on its members' problems.

Interest in the scheme heightened recently and PSA staff will soon consult with interested lawyers to place the initial research and recommendations "on a solid footing".

PSA secretary W E B Tucker is keen to see the scheme developed but admits there could be problems as far as the profession is concerned.

Flaus outlined to Tucker and Turner "compelling reasons" for establishing a group legal service plan.

- Traditionally consumers of legal services are unorganised in facing the highly organised legal profession. Hence the decision to raise legal fees was made with no public input save the contribution of the Department of Trade and Industry.
- The profession has made no effort to economise and provide alternative means of delivering legal services, nor has it faced effective pressure to do so. A consumer's legal service set up by and for the PSIS could provide that pressure without threatening the profession's plea for independence, and at the same time deliver to PSIS members a cheap and comprehensible legal service.

> A LONG period of detailed control has fostered many restrictive arrangements in the private sector. Such arrangements should now be abandoned or severely modified. Thus we recommend that Government should exert pressure on trade and professional associations or societies to desist from practices which limit competition and, if necessary, take action to outlaw them.
>
> If private enterprises will not permit competition, so that market forces can operate reasonably effectively, then they cannot expect freedom from government action to protect consumers and promote the public interest. The changes recommended here will operate with greatest effectiveness in an economy which is expanding with sufficient stability to engender confidence in business that the expansion can be sustained. This reinforces the point made earlier that we need a concerted set of policy changes, each designed to reinforce and sustain the effectiveness of the others.
>
> SOURCE: ECONOMIC STRATEGY 1979 — NZ PLANNING COUNCIL.

- The present pro rata scale of conveyancing charges is irrational since the purchase of a house at $35,000 requires no more work than a similar purchase at $22,500 yet fees charged for the former transaction are substantially higher than fees charged for the second. (Flaus believes conveyancing — along with company formation and ... work — is amongst the ... plest tasks in legal ... and hence high charges ... justified). A group ... service scheme could ... by the hour — if at all.
- Group legal schemes ... to a substantial reduction ... legal costs because of ... guaranteed flow of work ... of it of a fairly uniform ... Cost-minimising systems ... equipment can be ... quickly.
- The bulk of PSIS members fall into the income group ... the middle of those ... incomes are low enough ... qualify for State-provided legal aid and those who ... easily afford legal fees.
- Group legal schemes ... provide "preventative ... programmes, that ... programmes which ... potential problems before ... develop. Fear of high ... inhibits clients from ... "legal check-ups" under ... present lawyer-client ... At present, the PSIS ... outside law firms to process mortgages and to provide ... own legal services, ... unions. The same mortgage ... could be handled at ... cost by the group legal ...
- Lawyers of the calibre ... would be attracted to ... scheme would also have ... capacity to undertake ... research in matters ... concern the group's ...
- A group legal service ... expand, in time, beyond ... purely legal role and provide ... range of other services for ... members for example ... through the employment ... counsellors for personal ... matrimonial or welfare ... problems.

JIM TURNER...against current legal profession position.

Flaus noted that with a ... Practitioners Bill likely to be brought forward this year ... was an ideal time to press ... changes in it for consumers ... particularly to make it ... ducive to the establishment ... group legal service plans.

The scheme is certain ... bring reaction from ... profession. "My ... weakness is that I don't depend on fees," said Flaus ... referring to his position ... Crown Law Office. Hence ... could come under fire ... suggesting that the present system of private law firms ... outmoded.

"I put up the idea. That's ... involvement. I'm keen to ... becomes a reality, provided there is full discussion ...," said Flaus.

Several other lawyers ... also stated they would like to see some changes made ... all would resist a ... structure.

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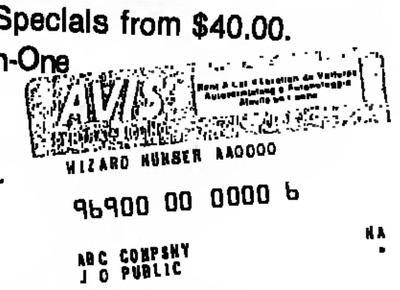

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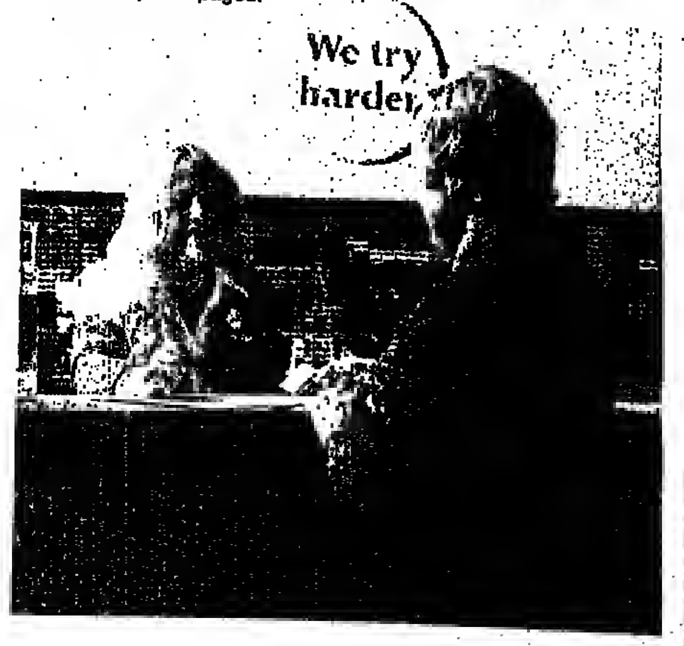

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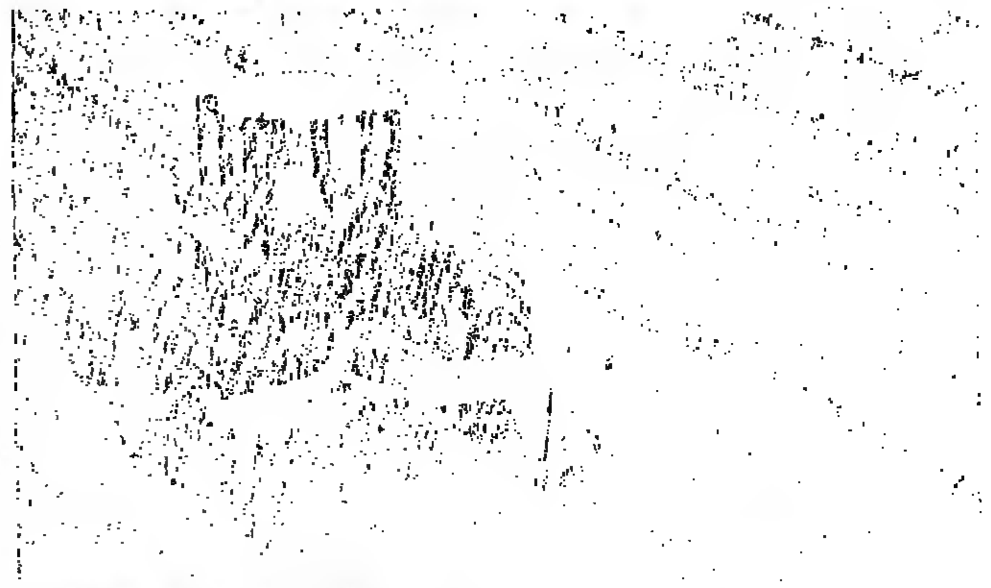
'Green' oil offers escape from OPEC but beet looks best



Fresh petrol crop grows for the 1980s

by John Draper

CHRISTCHURCH motorists will be driving on sugar beet if the Government accepts the recommendations of a report it will receive soon.

Scientists at Canterbury University are already turning the beet into ethanol — a synthetic fuel — for less than it costs to import petrol.

In a report to the Energy Research and Development Committee, the scientists will recommend the building of a pilot production plant immediately, and a full scale plant soon after.

Ethanol is not new. The Germans used it in World War II. So did the Australians and the Swedes.

Brazil is now the undisputed world leader, using sugar cane residue as the source material and building car engines to burn an ethanol-petrol mixture efficiently.

Scientists say most cars would not notice a 10 per cent ethanol petrol mixture. Many would still run happily on a 15 per cent mix with little adjustment.

Ethanol is an alcohol, produced in a similar way to whiskey from farm crops or timber.

Cheap oil had made the process unattractive since the war. But thanks to OPEC, ethanol is climbing back into commercial favour.

Wood — 60 per cent of which is wasted in logging and milling — appears to be the obvious source.

Dr Brian Earl, at Canterbury University, says the economics of producing ethanol from fodder beet outstrip wood.

He estimates a plant with a 200 tonne input of dried matter daily would cost $6.5 million to build and would produce 23,200 tonnes of beet-derived ethanol a year.

A wood-using plant would cost $10.5 million and produce only 15,900 tonnes of ethanol.

One 200-tonne beet-using plant in the Canterbury area — beet needs class 1 or II soils — would supply enough ethanol to provide a 15 per cent mix with petrol supplied to the Lyttelton storage dump.

Lincoln College experts have calculated the beet could be grown within a nine kilometre radius of the processing plant by farmers devoting less than one-fifth of their land to its production.

Farmers could be induced to grow the crop for a return of $40 a tonne delivered to the plant.

"To compete wood would have to be delivered at $7 a tonne," Earl said.

"We calculate it would cost at least $20 a tonne to collect and deliver assuming the wood is free."

Meanwhile in Rotorua the Forestry Research Institute is about to produce ethanol from timber.

Work began on the project more than three years ago and the Government gave approval for the pilot plant in 1977.

When commissioned it will use wood chips, sawdust, newsprint and cardboard to make up to five litres of methanol an hour.

Project scientist Dr Derek Whitworth says the objective is to do as many experiments as possible to determine the most economic material or mix of materials to use.

Chemical hydrolysis removes up to 70 per cent of the sugars from wood, enabling the fermentation process to begin.

It is the extra chemical process which makes wood produced ethanol more expensive than from beet.

So far the institute's plant has cost $200,000 to build and Whitworth estimates "a useful sized plant could be built for $2 to $3 million".

Methanol from Maui gas is indisputedly the cheapest energy alternative New Zealand has to crude oil.

The Government is already committed to a programme of adding 15 per cent methanol to certain fuel oils by the mid 1980 s.

Methanol from Maui will be cheaper than imported crude is now, half the price of ethanol from wood and still ahead of ethanol from beet.

Methanol derived from wood is also relatively cheap, though still more expensive than from Maui.

But wood produced ethanol might still have a future.

Victoria University scientists are investigating the manufacture of xylitol, a natural sugar produced from timber which research shows substantially reduces tooth decay.

Finland and Japan have control, but its production in New Zealand could produce ethanol as a cheap by product as well as boosting exports.

Road tests in Christchurch are already pointing to an ethanol-methanol-petrol blend as being the best fuel.

Maui gas will be running out early next century making energy farming an attractive alternative. And the Energy Research and Development Committee report suggests there will be a need for ethanol and methanol production to supplement more from 1990s.

A demonstration programme in the 1980s with the objective of having one or two commercial plants operating by 1990 will be highly desirable, the report says.

The two most economic processes are fodder beet to ethanol and radiata pine to methanol.

In the short term methanol plants could use forest waste but the report recommends that planting should begin now to produce a feedstock of grown trees in the late 1990s.

SHOULD the company car be sacrificed to conserve fuel? Editorial — Page 4.

Sugar firms swallow bitter reversal

by Belinda Gillespie

SOURNESS has hit the sugar industry as the world has lost its sweet tooth.

Since the "sweet days" of 1974, output has gone up by 14 per cent, far outstripping demand.

A surplus of millions of tons has been dumped on the market.

The industrialised countries have moved away from sucrose — the traditional sugar produced from sugar cane and beet — to substitutes such as corn syrup as less sugar is used in the home and more in the food processing industries.

If there is a future for the sugar beet industry in New Zealand, it may be as a building block for petrochemicals, not as a food.

Sugar can be turned into biodegradable feedstock for textiles, plastics, cosmetics, and detergents, as well as a fuel alcohol substitute or supplement.

The world's first sucrochemical facility is scheduled to come on stream in Britain this year.

A forecast for the future: We used to eat sugar — what a waste of energy!

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In the thrall of some defunct economist

by Colin James

"WE have understood the unique nature of New Zealand, we have carefully analysed both the opportunities and the pitfalls before us and in the light of all this we have evolved our economic plan.

"The challenge now is to persuade those with entrenched ideas or vested interests to adopt similar pragmatism."

So said the National Party in July last year in Years of Lightning — the official party "record of the achievements of the National Government since November 29, 1975".

What the party's plan was, has never been made entirely clear, but Years of Lightning said restructuring had already begun.

"As a result of this (1978) Budget, New Zealand's new direction is now firmly established, the restructuring has begun and the benefits are already evident," it said.

The way some people in the party are talking now, it seems that might have been something of an overstatement.

As evidence, we could offer a new backbench MP, Ian McLean. Just a couple of weeks or so ago he was still expounding his "more market" theory of economic salvation.

And outside the House, a lot of party members share his approach. They are waiting and hoping for some pronouncements from the Government that will convince the electorate, especially the private enterprise bits of it, that there will be structural changes in the economy.

The Government, too, seems not to have been convinced that the restructuring was in full swing in July, last year.

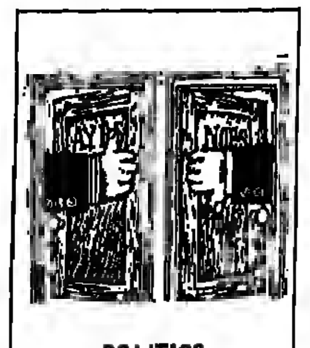
Take the Prime Minister, who Years of Lightning said "had a reputation for going straight to the heart of any problem, explaining to the people with devastating candour and solving it in double quick time.

"For him, the economists held no fears," the writers of Years of Lightning gushed on, "he was exactly the kind of leader New Zealand needed."

Right on. After all, he had been Minister of Finance for six years from 1966 and the party's economic expert from 1972 to 1975, not to mention Minister of Finance again from 1975 on.

If anyone in politics should know exactly how the economy needed to be restructured, it should be he. Twelve years of thinking about it should be enough.

You and I, and the Treasury



POLITICS

and the Trade and Industry Department, and the Manufacturers Federation and the Federated Farmers waited with — in my case, at least — bated breath for our futures to be revealed.

But the economic plan turned out to bear more than a passing resemblance to the emperor's clothes.

After three months of pressure from economists, pressure groups, his own departments and the Organisation for Economic Cooperation and Development, the Prime Minister made it clear that he had had no restructuring plan at election time, let alone last July.

He did this in a backhanded way: berating ivory tower dwellers and newspaper editors for expecting answers in three months. It was what a man newly installed in office in December might have said, rather than someone of his long and broad experience.

We have had some movement: relaxation of price control and a commitment to encourage foreign investment. There is also recognition of the need to build up agriculture.

But of what bits of the economic structure are to be altered, so far not a whit.

The furthest the Government has gone is to rule out McLean's "more market" approach (that is, letting market forces decide the extent and the nature of the restructuring).

In a revealing passage in his speech to the Wellington branch of Society of Accountants recently, the Prime Minister outlined his preferred method of encouraging resources out of "undesirable" industries if this was done: "The best way would be to start by deciding which industries were undesirable, tell them so and then help them change, rather than attempt to do the job under the pressure of a damaging or potentially disastrous series of events."

At this point it is worth recalling another passage in Years of Lightning. It quoted John Maynard Keynes, best known for deficit financing of government activity, as saying:

"Practical men, who believe themselves quite exempt from any intellectual influences, are usually the slaves of some defunct economist."

It is not hard to produce names of defunct economists who have argued the virtues of fine tuning, or economic intervention, of state direction of economic resources through licensing, incentives, controls and state support.

It is also not hard to name defunct economists who have argued the opposite virtues. Of them, the most famous is probably Adam Smith, who taught:

"The natural effort of every individual to better his own condition, when suffered to exert itself with freedom and security, is so powerful a principle, that it is alone, and without any assistance, not only capable of carrying a society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often incumbers (sic) its operations."

By Sid Holland's day in the late 1940s, the National Party had loosely translated this as: "More business in government and less government in business."

Most National Party members I know would still at least pay lipservice to this. But there is not much evidence that their Government subscribes to it.

I can remember running into a fuming Peter Wilkinson (then Postmaster-General) just after the Cabinet had rejected out of hand any suggestion of charging for local telephone calls — before a taskforce looking at ways of putting Post Office financing on a more businesslike footing had had time to report.

Aside from probably contributing to Wilkinson's subsequent blood pressure problems, the Cabinet's preemption pinpointed the supremacy of politics, rather than business, in government.

Transport Minister Colin McLachlan proved the point again recently when he

COLIN McLACHLAN . . . user pays.

kiboshed any suggestion of the Cook Strait ferries pulling out of Picton (which just happens to cost 1500-odd votes in the marginal Marlborough electorate).

Yet, ironically in the light of the Picton incident, a more businesslike approach is surfacing in McLachlan's portfolio.

His Railways Department, under pressure from the huge Government deficit and a [illegible] road transport industry, [illegible] identified its unprofitable services.

Its comment in The S[illegible] Change that "the public is entitled to know just how many people benefit from the operation of these services and to what extent their travel is subsidised" raises a possibility of a more businesslike approach than the present muddled mixture of profit and social service.

I am not an admirer of McLachlan (few people [illegible]). But, whether by accident or design (and, if by design, whether by his or someone else's), transport during [illegible] term has been moving [illegible] the user-pays, commercial criterion line the party [illegible] than it ever showed signs of doing under Peter Gordon.

It is an intriguing [illegible] this instinctive, if sometimes inept, private enterprise should, for reasons other than policy, be the object of the baying of the "more market" bloodhounds out in the [illegible] ranks.

Re-emergent PM

by Colin James

THE PRIME Minister's "low profile" seems to be wearing off.

There he was taking a sideswipe at the Japanese in the process of relieving Colin McLachlan from the task of announcing a tender for new railways suburban rolling stock. And, in other speeches, sideswipes at his advisers.

He has also taken up again one of his favourite sports: news media bashing. The Sunday News' anonymous political writer got a round in the Prime Minister's Truth column last week and the Evening Post's editorial line a poke in the eye in a speech.

Television reporters got their share for daring to take two cameras to record him boarding a Government plane (in the middle of the fuel crisis) to go to Auckland from Paraparaumu when Wellington's Rongotai airport was closed. Later in the year there would only be one camera, he said ominously.

But there have been personal interviews with people "...who I know will deal with it in an even-handed way."

One such was Cedric Mentiplay of the Press, to whom he said this: "We keep the political side and the organisational side as far apart as we possibly can."

It will be interesting to hear what the party's dominion councillors, who are meeting this week with George Chapman's future on the line, make of that.

Foreign-backed fishing dream flounders

by Rae Mazengarb

THE New Zealand fishing industry which, with foreign backing, sailed off optimistically into the 200-mile economic zone, looks like it may founder.

Watersiders' demands over the unloading of the joint-venture fishing boat the Wesermunde raises an immediate argument between watersiders and fishermen and processing workers. But those within the industry say the issue is crucial to the future of all joint venture operations.

If the vessel returns to Germany — one of the options under consideration — it is unlikely to return to complete its year-long charter.

Awaiting the outcome with concern are several other joint-venture operations whose boats are due to be handled at local ports in the near future.

Without the financial backing and technological expertise of the foreign partners in both deep-sea fishing and marketing, the industry is at risk, said Dan Stevenson, director of the joint venture company High Seas Fisheries Limited.

If the dispute continues the company — aside from tipping the catch over the side — is considering transhipping at sea or returning the Wesermunde to Germany.

Transhipping would be a costly operation with the company having to charter a suitably-fitted vessel. The company has informed Government it will apply for permission to do this.

Abandoning the joint venture would be a last resort, Stevenson said. But it could happen "if we can't work and unload in an efficient way to maintain the quality".

He emphasised the need for skilled personnel in the unloading operation since the fish needed sorting and, in some cases, further processing.

"Unless we can do this using fishermen and fish processors, the whole viability of the industry is at risk", he said.

But other forces may be killing the fishing venture.

Japan, a major market, began stockpiling fish in 1976 in anticipation of being shut out of traditional fishing grounds. The move contributed to fish prices soaring around the world and gave cause for great optimism.

In anticipation of prices remaining high, companies took the Government's advice and invested in catching and processing less popular varieties of fish.

But fish prices last year dropped across the board. Since then the local industry has been faced with a decaying market.

Stevenson rejected the suggestion that the joint venture programme was doomed from the outset.

"We are satisfied that there is a reasonable market in Japan, America and Europe", he said.

High Seas Fisheries have the ability to pack and present the product in the manner the market wants, unlike some of the other local companies, he said.

The company has a German agent in the EEC to do the marketing there.

Stevenson views the present downturn in prices as only temporary.

High Seas Fisheries is a New Zealand-German consortium involving R C MacDonald Ltd, Southland Frozen Meat and Produce Export Co, and Hanseatische Hochseefischerie, of Germany.

The 3500 tonne, stern trawler Wesermunde is on charter for 12 months for research and commercial fishing in southern waters, and is registered as a New Zealand fishing vessel.

It was intended that the Wesermunde be joined by two or three sister ships next year, if the operation looked good commercially.

But after some 50 days at sea, the boat returned to port with a disappointing 250-tonne catch.

According to the Ministry of Agriculture and Fisheries publication, Catch October 78 issue: "Bluff will be the base port (for the joint venture) and the estimated total catch for the charter is from 5250 tonnes in the first year to 150,000 tonnes by the third year".

Just four further cruises are planned for this year and it looks as if the tonnage will fall far short of these projections.

But a seafoods division official of R C MacDonald said that despite the good weather, it was known that the summer months were a poor fishing time, considering both the area in which the boat was fishing and the species it was catching.

Martin Cawthorn, one of the four New Zealand scientists working on board with West German scientists, said the charter was aimed both at testing and modifying gear for use in New Zealand waters and assessing the fish stock for the whole area.

The German Government has underwritten the research for the first year to the tune of $3 million.

Because of this extensive research programme the number of actual fishing days were effectively halved.

The Campbell Plateau was also an area with unknown fishing potential.

Therefore, the company had no idea of the size of catch to expect.

To argue that the union problem might have been timely was to ignore the fact that a major portion of the vessel's time was intended to be spent merely looking over the fishing grounds, Cawthorn said.

The Wesermunde is back out at sea and will continue fishing while awaiting the outcome of the dispute.

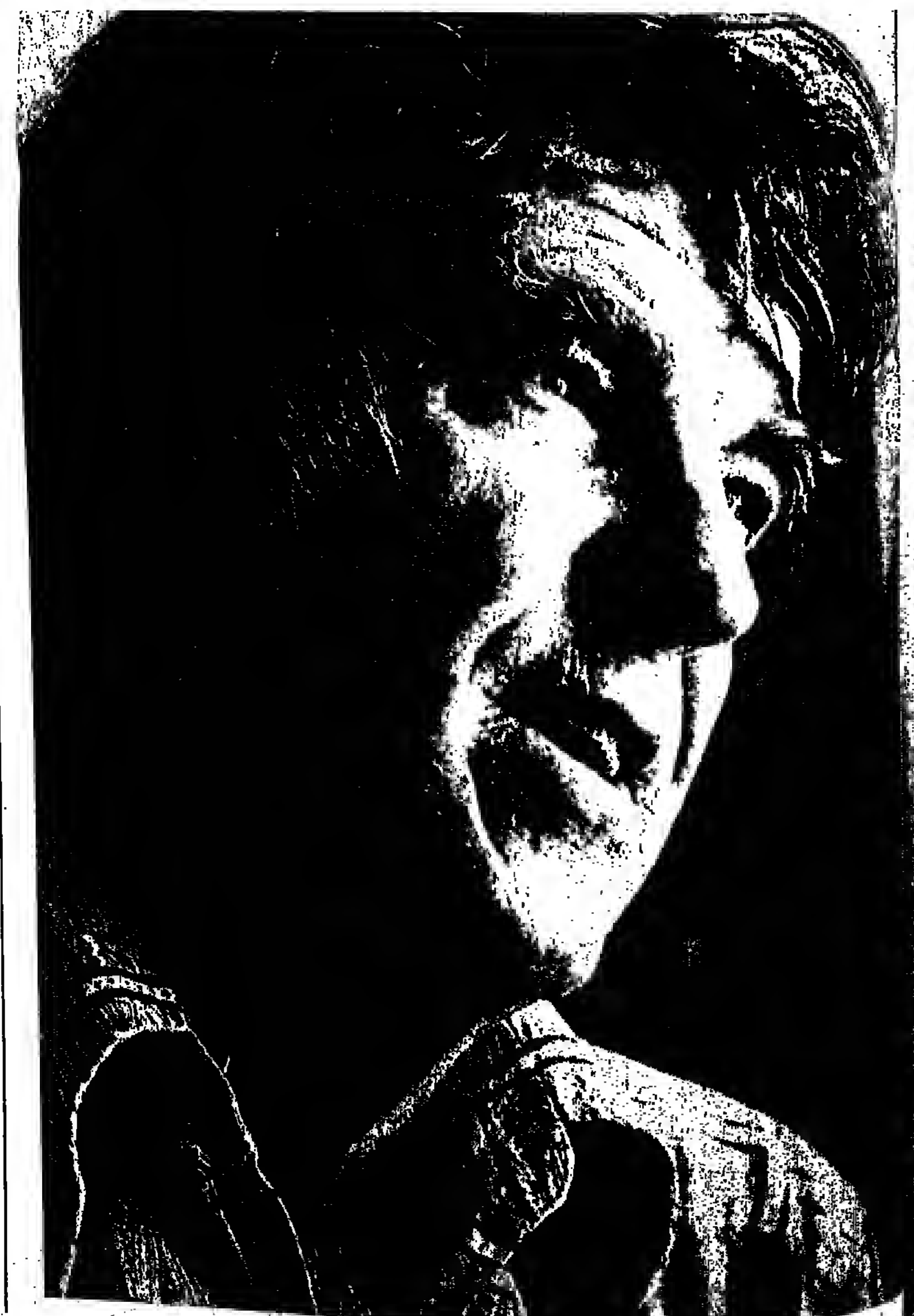
But at a cost of $15,000 a day to keep on the high seas, the company can ill-afford the problem to remain unresolved for too long.

The vessel has a 1360 cubic metre freezer hold and a further 700 cubic metres of fish meal storage space, and can carry more than 900 tonnes of fish.

According to Stevenson, while the future looks uncertain for this vessel, agents in the Far East are waiting for samples of the processed fish.

Much of the processing has been experimental because the demands and requirements of the overseas markets have not yet been established.

"It's more impressive to fail on a difficult objective than succeed on a modest one."



American Express, in conversation with Cardmember Sir Edmund Hillary.

Sir Edmund ("call me Ed") Hillary: Mountaineer, Adventurer, Explorer, Author, Businessman, Nepalese Bridge Builder, Chairman of the Himalayan Trust. Attended Auckland Grammar where, despite the motto (Per Angusta ad Augusta – Through Narrow Paths to the Heights) he remained uninspired. Eventually discovered mountains, conquering the biggest of them all in '53. Became the youngest Knight of the century. Other remarkable achievements include driving a convoy of farm tractors to the South Pole.

A.E: I read the other day where someone said that if you are going to dream of impossible things you might just as well dream of big impossible things.

E.H: I agree actually. A challenge you're confident of overcoming is hardly worth starting. Why bother if you are quite confident that you are going to overcome it? The real challenges are ones that extend you to the [illegible]ost. Where there is always doubt as to whether or not you are going to be [illegible]ful. Then, when you succeed, if you do succeed, you have a great sense of achievement. It's more impressive to [illegible] on a difficult objective than to succeed on a modest one.

A.E: Have you always had a clear picture of your goals?

E.H: No, I don't think I did. People [illegible] "When did you first really get your [illegible] ambition to climb Mt. Everest?" [illegible], I didn't get my great ambition to [illegible]b Mt. Everest until a year or two [illegible]orehand. I'd been climbing for [illegible]y years before I even thought of the [illegible]pect of going to Mt. Everest.

A.E: You didn't tell your mother in [illegible] that you were going to climb Mt. [illegible]est?

E.H: No, no. You know, there was old [illegible]k Smyth who was one of the great [illegible]taineers and wrote lots of books. [illegible] wrote in one of his books that when he was a young child his parents took him across France. His mother was holding him in her arms, suddenly on the horizon, he saw a great white mass of mountain peaks whereupon he duly rose up and pointed in the direction of these peaks said "go gaga goo goo". Which meant (supposedly), "I'm going to become a famous mountaineer". Well, that's really a lot of rubbish. People tend to try to give you ideas and a future far before you ever had these firm convictions.

A.E: At what age did you realise you were going to become famous?

E.H: It wasn't until I actually climbed Everest that it suddenly dawned on me that I was going to be in the uncomfortable position of being famous. Before Everest, even on the mountain, I had never really even thought about it. We were much more innocent in those days. Nowadays, the modern athlete is aware that if he is very successful there can be economic, substantial economic benefits, from what he does.

A.E: If Ed Hillary had climbed Everest in the '70's, the 33-year-old Sir Edmund Hillary would have been a very marketable item indeed. Are you glad or sad that you escaped that kind of marketeering?

E.H: Very glad. I have a little bit to do with it anyway, but I have been able to keep it to what I regard as a reasonable minimum. There are advantages of course, as far as the fame business is concerned in raising funds for projects. In things of this nature, it certainly has been very beneficial. But I don't envy the great athlete of today who gets involved in the tremendous commercial rat race.

A.E: Did Neil Armstrong's giant step, I wonder, create as much excitement for people as Ed Hillary's? I remember looking at the moon and thinking, "Hey, there's somebody up there", and the people around me were walking along looking down at the pavement.

E.H: There's a tremendous difference in the challenges and adventure of today. It's not only the achievement of the individual but the thrill of those back in Houston pushing all the buttons. I think it was probably more fun in our day in that you were the one who had to make the decisions . . . you weren't just a part of a very highly qualified technology which was thrusting you almost into position.

A.E: Decision-making is obviously a characteristic of a mountaineer . . .

E.H: I think that most people can learn to become decision-makers. I certainly was never anything like a born leader but I found that over the years there were certain techniques that one could follow which enabled one to handle groups of people who could easily be far more efficient and far more intelligent perhaps than oneself. The thing I always found was doing your homework. Before you went to bed each night, you just went through in your mind what was going to happen next day and briefly thought out what problems you might meet and what you would do if those problems did occur. Now, that meant that if something did happen you had thought the matter over and you were in a position to give a competent decision immediately.

A.E: How long have you had the Card?

E.H: For five or six years, and find it most useful for identification. For example, in American hotels where they often ask you for identification before you even check in, I've found the American Express Card is particularly valuable. It really does give you formal identification. It does have a definite status; there's no question of that.

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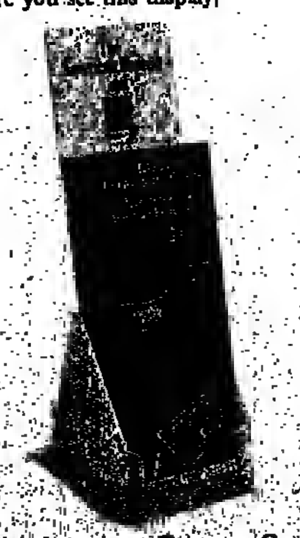

The American Express Card. Don't leave home without it.

Petrol saving efforts hit station viability

by John Draper

PETROL saving motorists are rapidly sending service station proprietors broke.

Some stations, particularly those operating seven days a week, have lost more than 60 per cent of their petrol sales and a similar proportion of the lucrative accessory trade.

Hundreds of casual and part time workers have lost jobs as stations close from 7 p.m. Friday to 6 a.m. Monday.

Many are near to closing down for good as cash flows dry up, the Motor Trade Association claims. Executive officer Trevor Bates says the association never agreed to bear the whole burden of the Government's oil saving measures.

"We agreed to co-operate and bear our share," he said. "Our original concept was that commercial users would be ordered to take a percentage cut back as well as the farming community and the private motorist.

"But there are no carless days yet, there are no restrictions on farmers and the commercial operators and industry have been asked only to make voluntary restraints," he said.

"The net result is that we are subsidising everyone else."

The Association is working on an alternative package which it intends putting to Energy Minister Bill Birch this week.

Bates refused to go into details but he dismissed suggestions that service stations might impose some sort of rationing on motorists.

"We want to try and equalise the burden," he said. The alternative scheme is likely to include mandatory restraints on industry, commercial vehicle operators and on farmers as well as the rapid introduction of the carless days scheme.

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EDITORIAL

FRIENDS of the Earth became distinctly unfriendly towards business executives last week when they called for a ban on company cars from roads at weekends and for the Government to stop companies giving employees cars as a salary "perk". They complained that users of company cars could fill both the company cars and their private vehicles with petrol on Fridays and remain unaffected by oil conservation measures.

They pointed, too, to taxation anomalies, claiming that a car amounted to a tax-free perk of $3000 to $4000 a year while the company owning the vehicle could claim generous tax provisions. A spokesman estimated that each company car deprived taxpayers yearly of more than $1000 in revenue.

Whatever their tax potential, there is no question that a company car's fuel consumption becomes particularly significant at a time of crisis. And there is evidence enough to wonder at the extent to which company cars could contribute to the nation's conservation effort. Before launching their publicity campaign to instill conservationist attitudes, Ministry of Energy officials conducted random interviews which made clear the conservation record of company car drivers was poor. And the other day, a service station in Auckland disclosed that the accounts of a number of its client companies showed no decrease in fuel consumption.

It is obvious, too, that there is no incentive for company executives to cut company car consumption. Depending on company policy, it may be filled whenever the executive wishes with scant regard to cost, which is passed on to the consumer in the price of the company's product and is written off in tax no matter how the petrol has been used.

When the new OPEC petrol prices filter through, New Zealanders will be paying an extra 6 cents a litre (making it $1.73 a gallon) for petrol. Thus the new prices will act as a voluntary pricing restraint from which the company executive will remain immune. Nor is he encouraged to take a bus, a train or a car pool vehicle when transport to and from the office, for shopping and for weekend leisure is freely available.

The question is not whether executives should have perks, but whether company cars can make a contribution to the national good at a time when the community generally is being urged to practise constraint. The trouble is a lack of hard data. Nobody knows for sure just how many company cars there are, let alone the extent to which they are used for leisure rather than business activities. There is obvious scope for the Ministry of Energy to consider the company car among its conservationist options — but obviously it must call on other departmental resources to help with the figure work. For example, the Post Office could determine the number of company cars at registration time; Inland Revenue, with appropriate inquiries, could gauge the extent to which vehicles are used for leisure activities.

In the case of Inland Revenue, the exercise would be consistent with its approach to the airport engineers, who threaten to strike over a travel allowance intended to cover distances from home to airport. Inland Revenue Minister Templeton has made clear it was a person's own responsibility to get to and from work, and that while some shift workers might be entitled to allowances, there was no reason for the tax man to overlook others.

But there is sure to be a howl of protest from those who enjoy the free-car privilege. When Jack Lello, of the Auckland Civic Trust, undertook an informal urban transport survey last year, he was "stunned at the emotional rejection" he got when he suggested company cars be discussed. Similarly, a Radio New Zealand reporter received some angry and bitter feedback when he raised the subject on Morning Report last week. So who is willing to slaughter a sacred cow to put some beef into the conservation drive?

Bob Edlin

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Str... politicol... the Prime... column les... Evening Post's... poke in the eye...

Television re... their share for dar... two cameras to rec...

BROADLANDS cocks a snoot at Government in the April issue of its house magazine Broadlands.

"We have been censored", the front page heading reads. The article claims that because of a ruling by the Registrar of Companies under section 46 B of the Companies Act, Broadlands will no longer be able to "comment informally" in its newsletter on ways to save with Broadlands.

Instead they must advertise in the manner set out in the Companies Act.

"But", the newsletter said, "we consider that in a newsletter published by Broadlands about Broadlands we should be able to make responsible comment as and when we feel like it."

But the article went on to say, "from the strictly legal point of view ... we cannot tell you, other than in an advertisement, what's in the latest savings book".

"But here's a picture of what it looks like. To find out any more you'll need to get a copy for yourself."

Filling a quarter of the front page was a picture of the book.

Over to the Registrar of Companies to decide if a picture of an offer constitutes an advertisement.

•

ONE of the high points of a visit to Whakarewarewa, Rotorua's thermal showpiece, is an inspection of the Maori carving school where carvers reproduce ancient traditional designs with modern tools. The helpful guide explains: that apprentices may come from anywhere in New Zealand; are 15-17 years old when admitted to the school for their three years training; that the craft is reserved for the male sex only; and that only applicants of Maori descent are admitted. Now somewhere we read that discrimination in employment on the grounds of sex, race... aw, heck, who bothers with all that nonsense, anyway.

•

INDUSTRIAL troubleshooting could take on a new meaning if deputy Prime Minister Brian Talboys gets his way.

WITHOUT WORD OF A LIE

The other day at a Trade Promotion Council meeting in Parliament, the Bluff watersiders blacking of West German fishing research trawler, Wesermunde, clearly raised his ire.

"It is a pity you cannot shoot people in this country," he said. High noon on the Bluff waterfront?

•

NO sooner had Rob Muldoon stilled the flapping of the right wing at home and dismissed international experts as desk bound economists, than the barrage started again.

The German businessmen so carefully wooed for their German marks unkindly pointed out that New Zealand would be a better place to invest if it were not for our protectionist economy.

At the same time the prestigious Australian Financial Review was telling Australians just how badly their country cousins in the shaky isles were going.

Poor Muldoon must be running out of insults, which in turn must be frustrating to a person trying to publicly explain that almost everyone but he is so wrong.

•

THE oh-so-precious attitude of some environmentalists is apt to do their movement more harm than good.

Consider the seminar on herbicides the other day, for example. There was strong pressure from some quarters to prevent the presentation of a paper by Ivon Watkins Dow, manufacturers of the controversial 2,4,5-T.

Censorship of an argument is a notoriously unscientific way of determining truth, but a contribution from the company was considered inappropriate — (inappropriate to what, of course, is rather uncertain).

In the upshot, those who heard the company's presentation were told the herbicide would be restricted only when the Health Department banned it — and assuming the environmentalists are capable of absorbing that message, they now know where to direct their lobbying if they wish to see a ban imposed.

•

KNOW how to increase the takings from your slot machine? Install another slot machine . . .

That's the marketing approach of Arnold and Wright Ltd, which has introduced a range of automatic change machines to New Zealand.

Amusement arcades, hotels and clubs, canteens, laundrettes and factories, as well as public facilities such as airports, railway stations, bus depots, automatic car parks and libraries, are seen as potential customers.

And according to Arnold and Wright, the machines offer the chance to save money by replacing expensive staffed cash desks.

The machines are said to be not only quick and efficient in operation, precision engineered for reliability, jam free and requiring little maintenance — a pretty good heap of boasts in themselves — they also feature "robust and vandal-resistant construction, easy loading systems, foolproof testing of coins to ensure they are genuine, and 'fail-safe' systems to ensure that coins are locked ... returned if the machine ... empty or if they fail ... reason".

Don't question ... "fail-safe systems" ... to deal with failures ... the way it's recorded in ... handout.

•

ASENZ — the Asso... for the Survival of Ent... in New Zealand, ... formed "to alert the pu... Government to the soci... economic necessity of ... enterprise" — can ... ranks of the armchair ... and others devoted ... cause of de-regula... restructuring the eco...

Members "believe th... New Zealand economy ... survive, it is essenti... market forces be allo... operate and all ... restraints like price ... fixing, import contr... sidies and licences ... and steadily abolish... cording to group ... Murray Sampson.

"The economy ... allowed to breathe."

Sampson — in case ... forgotten — burst ... headlines during the ... election campaign a... the Albany Petition ... And presumably — ... year-old Silverdale ... knows a wheezing ... when he sees one.

Our only reservatio... unlike doctors, ... "put down" their ... occasions — a fact ... doubt hasn't escaped ... tention of Doctor M...

•

WE'RE pleased to ... climb off our official ... high horse to appl... section of the civil ... which seems to be ... the dissemination ... formation with the ... making the public ... formed.

The Ministry of ... has made grants ... harbour boards and ... councils to support ... of management pla... reports for public ... The grants (from ... ($500) were made to the Wellington, Hawke's Bay and Marlborough harbour boards and the Porirua and Christchurch city councils.

Dr Patrick McCombs, the ministry's maritime planning officer, explained: "The money was made available to encourage coastal authorities to involve the public in planning the management of their area."

The Harbours' Act makes harbour boards and other local authorities responsible for managing the shoreline and coastal water, and obliges them to provide facilities for recreation and commerce.

"They must accommodate the multi use of the area in the public interest, as well as provide for its conservation in the long term," said McCombs.

"It is important that the authorities study their coast and the demands placed on it and involve the public in drawing up their administration policies."

So now keep an eye on these local authorities — just to see how effectively they spend their money in the cause of public enlightenment.

•

EVERYONE knows that things aren't quite what they used to be in good old Kiwi country. But who'd have believed the day would come when we'd have to be reminded that rugby is second only to God (apparently he wasn't a New Zealander).

The Auckland Rugby Football Union has hired a public relations company and an advertising agency to put the game right back up there where it belongs.

And to kick off the professional promotion of the great amateur game, it treated Auckland media to a "Happy Hour" at Eden Park.

There are 34,100 rugby players in the greater Auckland district, and 300,000 followers. But that's not good enough for the Auckland Rugby Football Union. It won't say the figures represent a fall in interest, but it will say they don't represent an increase.

"Part of our function is to reinstate rugby as the national game," says newly-appointed P R Officer Mike Davis.

But the overall P R brief boils down to giving the game a great big push—getting more bottoms on seats, countering the fast-growing image that rugby is a violent game, and putting Auckland's Eden Park back on the map as the only place to be on a Saturday afternoon.

ARFU president Barrie Hutchinson says he believes that to promote rugby is to perform a public service. "We've seen over a hundred gang members in court this week. Its too bad these Black Power boys don't play rugby—it would do a lot for them. It would give them a great way to let off steam and they wouldn't have time to get into trouble.

"But generally, the game needs promoting."

The advertising strategy is still under wraps—but Auckland agency Smith Doughty and Gerrard has submitted a campaign outline.

•

LIFE is good for the 55,000 citizens of French Guiana. It's 30 years since the last prisoner left the infamous Devil's Island and the Guianians have developed a life style similar to New Zealand's — but without all the problems.

Guiana has the best living standard in all South America, and the lowest level of production. Restaurants in Cayenne lay the best table in the continent . . . and everything is imported.

One out of two citizens owns a car and most enjoy a three hour lunch break.

Life is torpid. Even the tropical fruit sold in the market is imported. Guiana doesn't even export Cayenne pepper anymore.

The biggest business is administration — 11,000 out of the 16,000 workforce are civil servants.

Imports cost Guiana about $164 million a year. Exports cover only 5 per cent of this bill. But Guiana has no balance of payments problems.

So what is the secret of their success?

Guiana is a fortunate land. It, like St Pierre, Miquelon, and the Marne is a department of France. Citizens are entitled to the same welfare benefits paid in Paris . . . but the money goes a lot further in Guiana.

New Zealand has a lot in common with this tropical paradise: imports overrunning exports; three hour lunches; at least a third of the work force employed by Government in one role or another; a large slice of the private sector engaged in bureaucratic paper shuffling — to counter Government's bureaucratic paper shuffling; and dole payments that make working appear such a bore.

All we need is some benevolent country to adopt us as its colony. Any takers?

•

THE controversy that blew up around West German girl Susanne Taipel wasn't the first sign that our Immigration Department is woefully ungallant when dealing with damsels from abroad.

Just a few weeks earlier, a young American tourist had been arrested when she applied to extend her visitor's permit just a fortnight after her previous permit had expired. She was hauled into Dunedin Magistrate Court to face charges under the Immigration Act.

According to her lawyer, the 19-year-old girl had been told on her arrival in New Zealand on January 1 that visitors from non-Commonwealth countries were issued with one-month permits which could be extended month by month for up to 12 months.

The girl had gone tramping in Fiordland and had gone to the department in Invercargill when she came out of the bush on February 6.

It was Waitangi Day. The office was closed.

So when she arrived in Dunedin, she went to the department to apply for the extension.

Do doubt to her dismay, this resulted in the police being whistled in on the case.

The girl was hauled off into custody, photographed and fingerprinted.

The department had refused to extend her permit because it was "departmental policy" not to grant an extension after a permit had expired (although, defence counsel pointed out, there was nothing in the Immigration Act to indicate this should be the case.)

The magistrate perceived that a conviction would bring consequences far outweighing the seriousness of the offence, and accepted the defence submission that the girl be discharged without conviction under section 42 of the Criminal Justice Act.

The Immigration Department had sought her deportation.

Interestingly, in light of the Susanna Taipei affair, there was a love element to the visiting American lass's plight . . . she had come to New Zealand with a man who was on the snowman's circuit.

She intended to accompany him to Australia late in March — but if she was convicted of overstaying, she would not be permitted to go there now or in the future.

•

ROAD Transport Association president, R P Martin had good evidence to support his claim that New Zealand Railways general manager Trevor Hayward's ideas in the discussion paper Time For A Change were "not worth the paper they were written on". After all, Railways Minister, McLachlan had been emphatic there would be no change of ferry terminal to appease an aggrieved Picton, after Hayward had raised the idea that the South Island ferry terminal might be moved to the Marlborough coast.

Martin again called for the railways to be made a Government corporation. It's not the first time the call has been made.

The railways, in fact, have been restructured more often than broadcasting.

The department was controlled by boards from 1869 to 1894, 1925 to 1928, 1931 to 1936, and 1952 to 1957.

Before, after, and in between these periods management has been the responsibility of a single permanent head accountable to a Minister.

The nine changes in administration made no significant difference to operating efficiency. And the Royal Commission which reported on the railways in 1952 concluded that "in the past, boards or commissions which have been set up to run the railways have met with limited success".

Despite the observation, it recommended the creation of yet another board.

We await with interest the Government's reaction to Martin's plea.

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* *National Business Review: profile of the decision-maker medium,* Heylen Research Centre, 1976.

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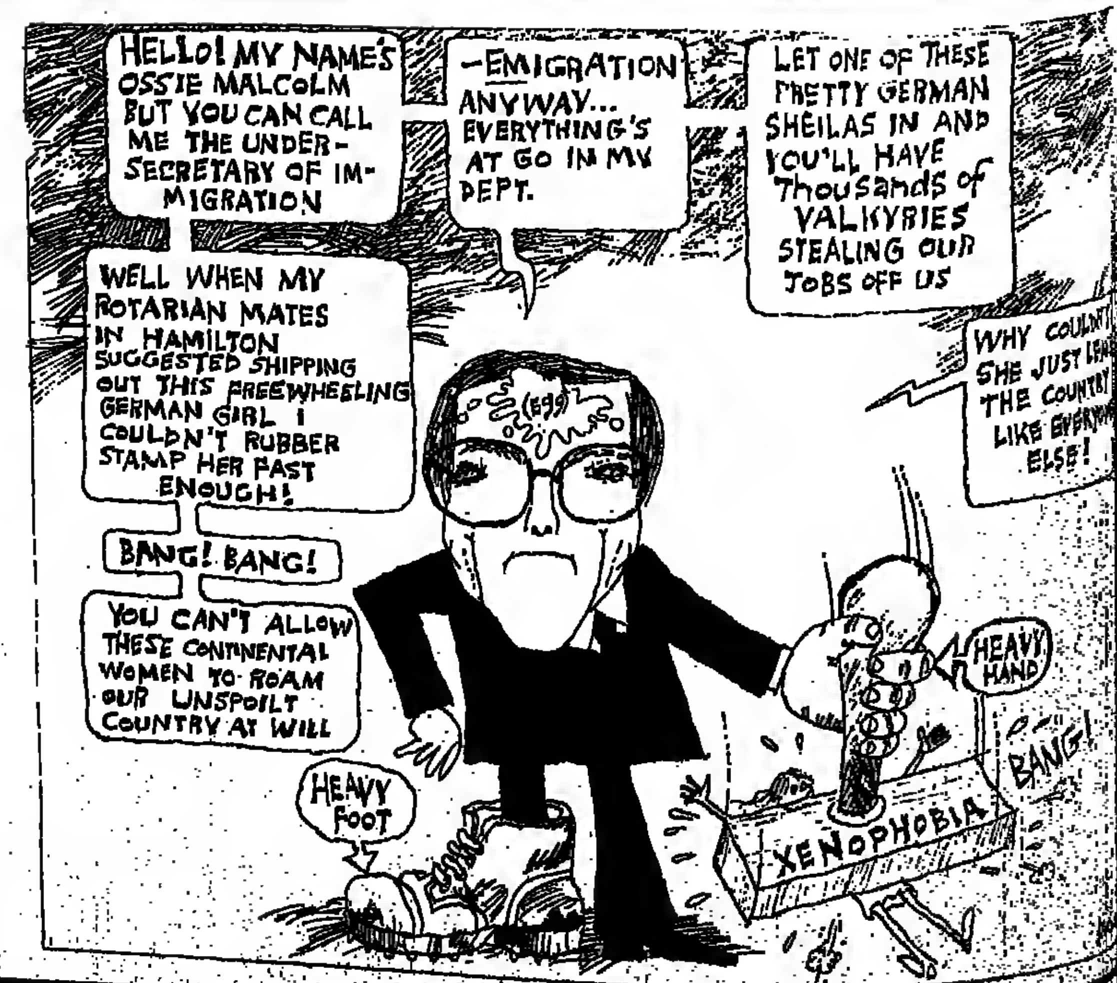

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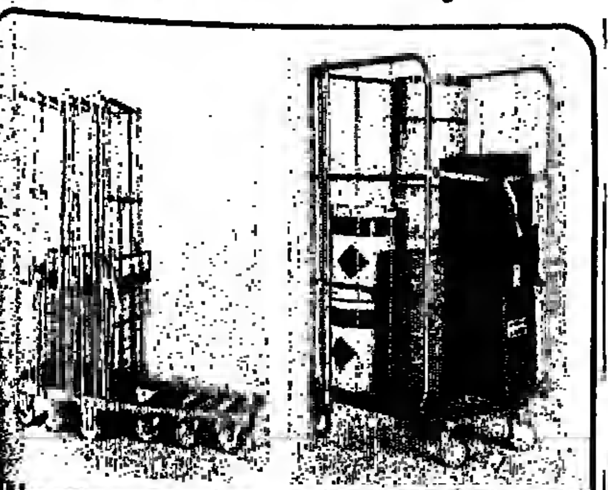

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Fare proposals left hanging in the air

OFFERS by New Zealand to liberalise substantially its aviation policy were knocked back in recent talks by United States negotiators.

The United States wanted acceptance of its deregulation policy written in to the New Zealand-United States bilateral agreement on aviation.

Although New Zealand was not willing to accept the right of the United States to designate as many airlines as it choose, the freedom of those airlines to set their own fares, and the loss of local control over carriers activities generally, its negotiating team did offer some major concessions.

First, New Zealand was prepared to accept one public charter operation under certain conditions.

It was willing to surrender control over the number of flights and the fares to be charged, except for operations from California where a country-of-origin rule would apply. New Zealand would approve fares out of New Zealand for the charter operation.

New Zealand was also prepared to accept public charters on an advance-purchase basis, and for individual tours.

This offer was rejected out of hand by the United States side, which insisted on full acceptance of its "open slather" public charter plans.

Second, New Zealand officials were prepared to change their attitude on air fares.

Despite being advised that New Zealand wanted to discuss Continental Airlines' proposed fares, United States Civil Aeronautics Board negotiators insisted that they were not ready to discuss rates, and the matter was left hanging in the air.

Under the present bilateral agreement, both countries have to approve fares of all airlines in both directions.

Previously, all carriers charged the same fares, but New Zealand is now willing to shift from this stance to fit in with United States policy objectives of greater competition among airlines.

Once again, a country-of-origin rule would apply. New Zealand has already received agreement from Pan Am and Air New Zealand for common north-bound fares, and has turned down Continental's proposals.

Both existing operators have also agreed on common south-bound fares (although these are different from the north-bound fares), and New Zealand told the CAB it would approve reasonable fares for Continental even if they were different from those of Pan Am and Air New Zealand.

The only catch is that the fares must not be uneconomic, or predatory on the existing operators.

Under the present agreement, New Zealand is entitled to evidence that the fares are not predatory. But under changes to the bilateral agreement suggested by the United States, New Zealand would not be entitled to such evidence, and would instead itself have to show that the fares were contrary to the public interest

The changes sought by the United States substitute for the present mutual-approval clause a mutual-disapproval clause, the effect of which would be that anything is in unless both countries say it is out.

New Zealand would have to give up its present (limited) rights of control over airline activity.

The United States did not offer New Zealand anything in return for accepting the changes outlined, apart from ideological assertions that the local consumer and the tourist industry would benefit.

Air New Zealand would still not be allowed to carry United States domestic traffic from Honolulu to Los Angeles (or through to New York). Deregulation and competition among airlines does not extend to foreign airlines competing in the United States domestic market.

One New Zealand official commented: "It makes a mockery of their claims of free enterprise."

Nor did the Americans try to justify Continental's fare proposals beyond asserting that they were cost re...

Asked to provide ... evidence that Contine... cheap fares would not ... existing traffic carri... Pan Am and Air ... Zealand, the CAB decli... provide any details.

The CAB negotiators ... sisted that under their ... (and under the bil... agreement, as they would ... it rewritten) the fares ... by an airline would ... nothing to do with the ...

New Zealand offi... maintain that with ... promotion or marketing ... way in either country ... the start of Contine... services in May, fares ... be designed to hive off ... airlines until the ... lucrative summer ... season approaches.

Although vehemently ... by Continental, there ... persistent suspicions ... local travel industry ... that the May start-up ... Continental's services ... be met.

By the end of last ... airline had not gained ... proval for fares in ... direction, and the break... officials' talks has ... airline in a curious p...

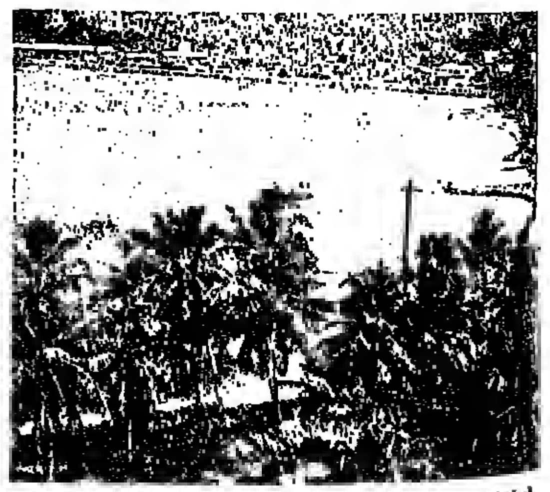
Continental plans to pickup Pago connection

NEW ZEALAND officials are treating seriously plans by Continental Airlines to use United States domestic fares to get around the New Zealand Government's refusal to approve its cheap fare plans.

Continental is due to file a new fares application following the breakdown in recent New Zealand-United States aviation talks, and New Zealand's refusal to approve fares sought by Continental.

It is likely that Continental will seek approval only for fares from Pago Pago to New Zealand, using American domestic fares from Honolulu to Pago Pago to complete its South Pacific fare package.

New Zealand has no control over fares from Honolulu to Pago Pago, because both points are part of the United States. But the proposal to use



PAGO PAGO . . . a proposal to undercut Air New Zealand

those fares to undercut Air New Zealand and Pan Am's agreed fares is being treated as a breach of the bilateral agreement.

Because a serious ... principle is involved, ... Zealand could exercise ... right under the bil... agreement to ask for ... arbitration on whether Continental's actions are a breach of the agreement.

That would involve both Governments' appointing an arbitrator, and the two people appointed choosing a third to make up a three-person panel to hear the case.

The United States Civil Aeronautics Board is backing Continental's action, and has told the New Zealand Government so.

Seemingly there would be nothing in practice to stop Continental going ahead with its plans to sell its $71 Pago Pago-Auckland fare, although the New Zealand Government could stop that and other cheap fares being sold here.

It would be an interesting legal point if Continental sells (as it says it will) a cheap round trip fare Pago Pago-Auckland and return. If it's not a legal fare in New Zealand, will a traveller be allowed out of the country on it?

Although this has not been officially mentioned so far, the present bilateral also provides for a government to take appropriate action against an airline breaking the terms of the agreement.

That could involve grounding or seizure of the offending aircraft, as has happened in other parts of the world, notably the United States.

So far, this clash has not been resolved, and has to be seen as part of the wider New Zealand-United States air war.

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US aviation: spreading its wings worldwide

A REPORT to the United States Civil Aeronautics Bureau supports widespread suspicions that the new United States aviation policy is designed principally to benefit American airlines.

The report says the aim of the series of negotiations the CAB is conducting with foreign countries is to give the United States the right to designate as many airlines as it likes to fly from the United States to those countries.

The information is contained in a seven-page memo to the CAB from the board's director of pricing and domestic aviation, Micheal E Levine, in which he discusses negotiating strategies for northern and southern Europe.

The tenor of the report and its recommendations support the widespread feeling in many smaller countries that the new United States policy of deregulating the airline industry is just a disguised way of letting large United States airlines dominate the world market.

The memo is dated February 26, 1979, about a fortnight before the United States and New Zealand resumed negotiations on aviation without success.

The report identifies various strategies for picking off countries one by one for penetration by United States airlines carrying the low fare banner.

Once playing a leading role in the market, those airlines will then be able to influence more strongly the shape of the market and its ultimate profitability.

With world tourism growing by an average of 8 per cent a year and trans-Atlantic business by an average of 15 per cent, pursuing an objective of gaining market share before immediate profit maximisation makes sense.

Levine says: "Multiple designation (without capacity or route restrictions) will naturally tend to create the market forces that will lead to competitive prices. This is because some carriers in trying to establish themselves in a multiple competitive environment will prefer pricing strategies to service strategies. It will be politically difficult for a government to keep rejecting low fare offers."

Stripped of the jargon,

TOURISM

Levine is saying once in a free market, airlines can drive prices down despite any wish by governments for a more controlled environment.

The low fare device is therefore aimed at securing a market share—both of real growth and the existing market—before profit taking through market dominance.

The report identifies a 20 year time span for achievement of CAB objectives in most market places.

In brief the method is to preach deregulation of bilateral agreements aiming to do away with controls by governments on capacity (frequency of flights and numbers of seats) and on air fares.

Once a foreign government has consented to this, United States carriers can operate pretty much as they choose, initially sharing traffic with the airline of the host country but eventually aiming to dominate the market.

Typically European countries have one international airline, rather than the several flying international routes from the United States.

Competition among European gateways—and the consequent need for those countries to avoid diversion of traffic to prevent damage to the local tourist industry—is identified as one useful strategy for forcing low fare agreements on European countries.

Levine says this (northern) summer the British will be under intense competitive pressure to maintain their principal gateway, London, now that the United States has got cheap fare agreements with Holland, Belgium and Germany.

"The United States may have the maximum bargaining leverage and most favourable political climate to orchestrate a denunciation followed by successful negotiations resulting in a competitive agreement." Levine says Pan Am is willing to play along.

Talking of southern Europe Levine says that cut price moves by Olympic Airlines of Greece result from "their well founded fear that other gateways will attract traffic from Athens".

The recently concluded cheap fare agreements with Germany, Holland, and Belgium, and the existing competition between France and Italy, together with the worries of Southern Europe about missing out, will create "a de facto competitive regime", Levine says.

The United States is also pushing for public charters to be accepted by foreign governments.

Essentially these are scheduled services with the tickets sold in advance by wholesalers on behalf of the airline. The wholesaler buys a bulk allocation at a discount guaranteeing the airline revenue, and it then retails the seats (still at a discount) to the customer.

However, but once countries accept these as part of deregulation, Levine says, "the United States could later unilaterally authorise the retailing by airlines of charter tickets to the public . . . the simple result would be an open increase in scheduled competition".

Many countries fear that competition would be at the expense of their smaller national airlines, and that the United States plans to end large numbers of scheduled services as they operate at the present time by this device.

Two rules are being offered in the new agreements. The one preferred by the United States is the mutual disapproval rule which means any practice is all right unless both governments move against it.

In effect it gives the United States a veto on vetoes by other countries, and therefore supports any action a United States airline might take regardless of the damage that action might have for the other country's airline or local tourist industry.

The second rule is the country of origin clause where each country controls fares and capacity out of that country.

Australia and New Zealand have these sorts of agreements with the United States. In both cases differential fares are in force making it cheaper to fly into the country than out.

Controlling the local market place may or may not be a successful venture depending on the availability of cheap fares in a nearby country.

The report goes on to support denunciation as a useful strategic tool. Denunciation involves howling down another country's opposition as illiberal, old fashioned, restrictive and anti-consumer. Levine suggests the tactic could be applied to negotiations with Australia, New Zealand, and Japan.

Levine notes approvingly the Department of State argument that the first country to be denounced should be one of a predominantly European background and not one "very much less economically developed than the United States".

This is to avoid charges of racism and imperialism.

Levine says: "If we first denounced an agreement with one of our European brethren other nations more remotely related to the United States should correctly interpret this as a signal that the United States is now willing to denounce bilateral civil aviation agreements. The symbolism of this first act, of and in itself, should be helpful to other negotiations in progress in other parts of the world, especially Japan".

The report continues that the United States is more concerned with market results than with written agreements: "We do not feel impelled to reach unsatisfactory written agreements just for the sake of concluding agreements.

"It occasionally will be necessary to meet with other countries for foreign policy reason unrelated to civil aviation, and with some cultures it may be necessary to hold interim social meetings as a prelude to meaningful negotiations."

While the whole document is not directly talking of New Zealand, its intent is clear. The United States should pursue its policy of deregulation on a country by country basis, and then its airlines will be able to penetrate the cheap fare market place building up the momentum of the free market drive as it continues.

The fear is that in a free market as envisaged by the United States, power (and profits) will flow to the stronger at the expense of the weaker, opening these countries to further economic penetration and exploitation by unscrupulous United States based multi-nationals backed by the might of the United States state machine.

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Months of Radio Pacific razzamatazz fizzles

RADIO Pacific's April Fools Day revolution was postponed last week just two days after Auckland papers carried half-page ads stating, "the revolution starts Sunday".

After months of razzamatazz build up from managing director Gordon Dryden and a share price increase from 50 cents a share to $1.20, Dryden told staff: "The revolution has been postponed due to a lack of big guns."

It is now set for April 9.

The big guns lacking were the new station's transmitter and ancillary equipment which did not arrive in Auckland till last Wednesday.

The $90,000 worth of electronic gear was shipped from Dallas in plenty of time. But the Texans packed the gear into a box suited for a 747 — seven inches too big to fit through the cargo doors of the DC10 that was to take it from California to Auckland.

The transmitter had to go back to Texas for repacking. When it finally arrived in Auckland the Radio Pacific board decided there would be insufficient time to install it and give the staff enough training time for the April 1 opening.

Some Radio Pacific staff are old broadcasting hands. Others have had no on-air experience.

The opening was not the only postponement. Dryden promised to launch New Zealand's biggest circulation newspaper to coincide with the opening.

The printer's strike put paid to those plans after the first issue had been more than half set.

The paper was postponed because Radio Pacific directors didn't want to start off as strikebreakers.

Dryden had already been scooped on that score when Roger Smith, of the Howick and Pakuranga Times, launched his 250,000 circulation giveaway Real Voice. An advertisers' throwaway, it has a bigger circulation (250,000 versus 243,000) than Dryden's proposed paper. And, it beat Dryden's deadline by more than a month.

Dryden says he is getting good advertising support for the station. But there have been other setbacks.

Radio Pacific failed to work a contra advertising deal with South Pacific Television... contra, it seems, is granted only to other state bodies, such as Radio New Zealand, now that SPTV is up and going.

Ad agencies have been sceptical of Radio Pacific, partly because the concept of a talk station is an unknown quantity, and partly because the recent Radio Pacific promotional evening held for advertisers left them full of drink and food, but singularly unimpressed.

Critical consensus was that the presentation was unprofessionally long, and didn't give advertisers an accurate picture of just what the new station was all about and what audience it would reach.

Ratings and audience reach are paramount to ad men, and the agencies are unsure of just who will be listening to an all-talk station. Radio Pacific's target audience and share are still unknown.

Dryden said Radio Pacific would be included in the next BCNZ survey. In addition the station might contract its own McNair survey.

To exacerbate matters, Radio Pacific seems headed on a collision course with the Association of Accredited Advertising Agencies (the 4 As).

Radio Pacific ad men have been upsetting 4 A's agencies by going to clients direct. These agencies fear this will deprive them of their 20 per cent commission for placing advertising.

Complaints have been lodged with the 4 As and will probably be heard at its April meeting.

Dryden conceded his ad men had been approaching clients direct, but denied that these clients had been offered rates minus commission.

A lot of the brouhaha stemmed from a finance house wishing to sponsor Tim Bickerstaff's Sports Talk programme. The advertising agent handling the finance house's account felt it was being cut out when Radio Pacific went direct to the client with a proposal.

Dryden said the client has now signed up for the sponsorship contrary to the agency's advice.

Radio Pacific's enemies are gloating with comments, like: "The higher profile you adopt, the bigger bang you make when you fall over."

But friends point to Dryden's record: like the proverbial penny, good or bad, he keeps turning up, they say.

GORDON DRYDEN . . . "a lack of big guns."

Computer games attract businessmen

ENTRIES for the International Computers (NZ) Ltd—National Business Review-sponsored Business Management Game, 1979, are running well ahead of the entries for this time last year, according to game administrator, Dr Michael Jameson.

"It seems that more companies and individuals are coming to realise the executive training benefits of business management games where the skills required to run a business in today's complex economic conditions can be learnt as realistically as possible," he said.

As well as many new entries, there are many entries for this year's ICL Business Management Game coming from companies which have had teams competing in the past. However, Dr Jameson said, it was interesting to note that the team members were different.

"Obviously company executives who have taken part in previous years feel that the experience gained has been worthwhile and they are now encouraging other executives to take part and learn from the game."

Last year's winner of the national game, a team from Putaruru comprising a veterinarian, a cartage contractor and a town-supply dairy farmer, showed that the game also took into account entrepreneurial skills.

Keen to see how they would fare in the realms of big business, a number of farming teams have entered this year and they, and the other teams which are new to the game, should make it an interesting contest, Dr Jameson said.

The game is run on a computer financial model which has been enhanced over the last few years to keep pace with rapidly-changing methods and conditions of today's business world. Particular emphasis is placed on cashflow management, which is obviously highly appropriate to today's conditions.

Competitors have to make decisions on a wide range of factors including pricing, marketing, transport, research and development expenditure, use of consultants and financing production. Four or five teams are pitted against each other in a concurrent series of games, and the decisions they make interact with the other teams' decisions. The winning team in each game is the one accumulating the highest tax-paid profit over the course of the round. If conditions are particularly adverse, the winner may be the team making the smallest loss.

As administrator, Dr Jameson has a number of control factors which can be varied to change the economic conditions imposed, the effect of pricing, marketing expenditure, and so on. These are set to follow approximately the economic trends indicated to competitors as being likely to occur during the round.

"I usually try to make the game conditions parallel the actual or predicted business conditions in New Zealand at the time. Contestants, like many New Zealand business people at present, could find the going pretty tough this year," Dr Jameson said.

The game consists of three rounds played by mail which run from April until November. The winners of the individual games in each round go on to the following round, making a fresh start with different economic conditions in each round.

The teams are divided into four regional contests covering Auckland, Central North Island, Wellington and the South Island. By the end of the third round, the regional finalists will be known.

The four teams will then take part in a day and a half national final held in Wellington at International Computers' offices, where processing of the decisions will be carried out on the company's ICL2904 computer.

As regional finalists, all four teams receive a cheque for $200. The winning team at the national final receives a cheque for $1000.

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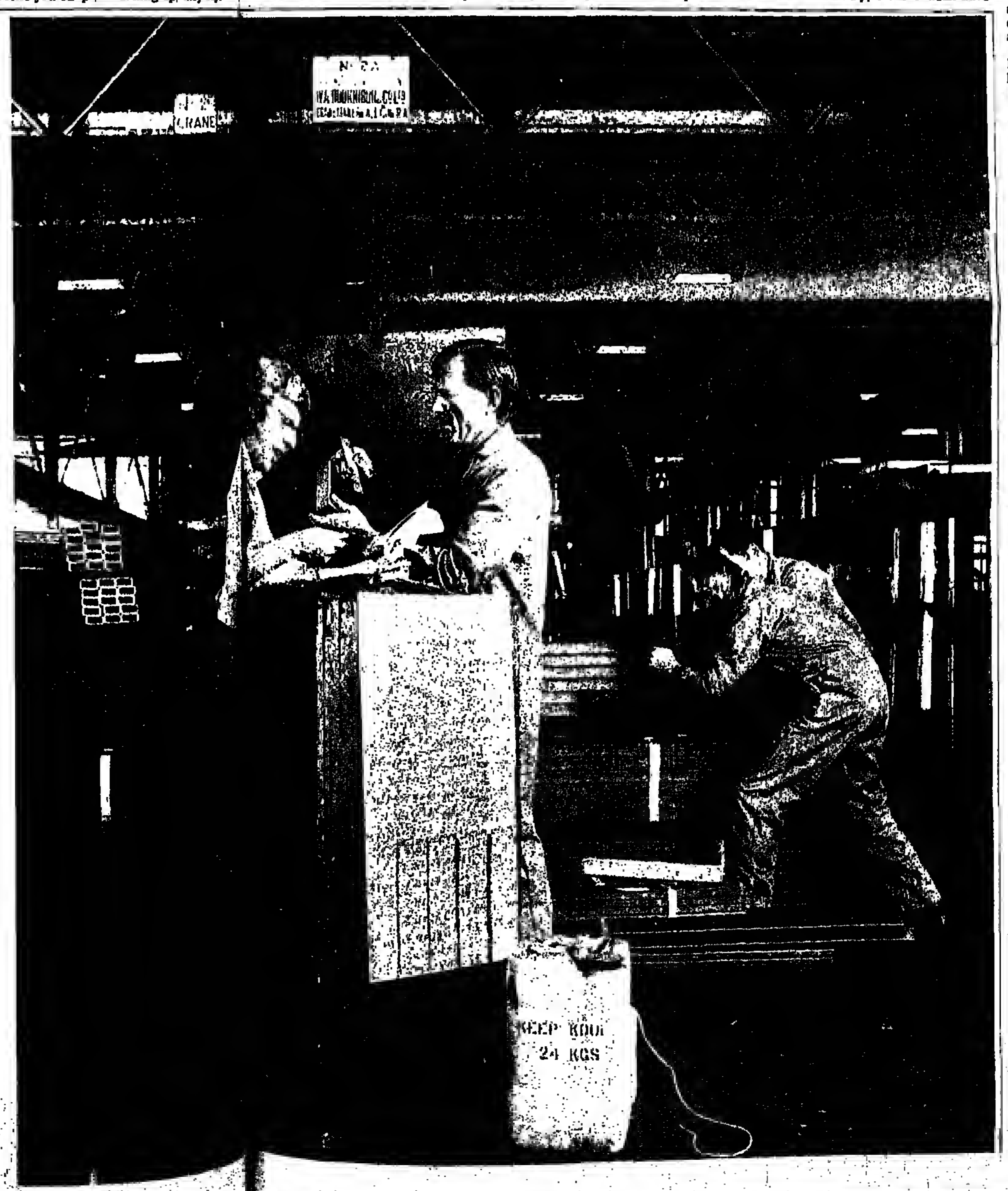

Radio Hauraki binds itself with profit jump

Special Correspondent

JUST too successful for its own good — now Radio Hauraki finds red tape has it in a real bind.

A combination of Government bureaucracy and the legacy of its uncertain early years has blunted the Bidwell-Friedlander-Myer success story in turning the Auckland private radio station's fortunes around.

The unexpected disclosure that Hauraki Enterprises Ltd was in strife with the Department of Trade and Industry over its profit levels caught company chairman Peter Dew and the Aqua Securities Board faction completely by surprise.

The company's sharp response — a heavy lean on permanently beleaguered Trade and Industry Minister Adams-Schneider — was the latest in a long line of political and legal approaches, which are symptomatic of what could be Hauraki's biggest short-term worry.

That seemed to be the reaction likely from shareholders and perhaps even the Stock Exchange Association to revelations of matters germane to Hauraki's operations, which had been kept under the tightest of wraps.

THE MEDIA

For Charles Bidwell and Michael Friedlander, the two key moneymen in the now disbanded Aqua consortium that bought in and baled out Hauraki, the situation is even more anomalous.

The accounts told their own story — a 450 per cent profit jump between the 1977 and 1978 years, on a turnover increase just under 50 per cent.

The result was exactly what the shareholders had been asking for — the $275,128 net profit and the $1,288,916 turnover put the first-established of the privates up in the same success league as Radio Avon.

It was achieved by disciplined management and stringent pruning of overheads —a cutback process that to many non-business observers seemed too severe especially in such areas as the station's news coverage.

But it dispelled suspicions enshrouding the Aqua group's shadowy presence — suspicions that were further fed by the Bidwell-Friedlander spearheading of the rescue buy-in operation at Radio Windy, Aqua and nominees' interest in picking up parcels of Avon shares, and the persistent rumour of an informal tie-up with Sydney media magnate Kerry Packer.

The Aqua influence also spawned the company's name change — the "Enterprises" tag showing Hauraki's determination to diversify out of the finite profit area of single-station private radio into potential money-making sidelines such as live promotions.

And then — sparked off by a chance meeting between new company executives and the department to find out official requirements, and sharpened by the apparent failure of the former management to reply to inquiries or file profit returns — came the investigation.

And that's where the success story came unstuck. Hauraki, under the price and profit control regulations, was bound by its performance in the years from 1971 to 1974.

Those were years of seesaw ratings, management and staffing ups and downs and poorer returns than the company's potential really merited. The average net profit was 8.5 per cent — and that, according to Trade and Industry, is what it would have to stay held down to.

Bemused departmental officers could have good excuse for feeling sore at the company's sharp response to the newspaper disclosure and the internal witch hunt it set off.

After all, they believe they were sympathetic to the company's plight and that the way was open for the station to have applied for a higher ceiling far earlier in the piece.

Largely by its own procrastination, it didn't — and the rules are the rules.

It has been revealed, however, that the company has now been allowed a 32 per cent profit ceiling — and 32 per cent obviously is the figure the department believes the company actually made in profit for the 1978 year.

The annual report, however, fixed it at 21.8 per cent, although there is no indication Hauraki has turned down the department's liberalised figure and insisted on the lower 21.8 per cent ceiling.

At issue, of course, are interpretations of what are allowable costs that do not directly affect productivity and profitability.

It appears that since the investigation started Hauraki has begun capital expenditure programmes which it hopes will be allowable as bona fide non-profit-bearing expenses.

The 10 per cent difference between the estimates of profitability could well be explained by the company's outlay on a computer for its accounting, costing somewhere between $80,000 and $100,000.

The emphasis on consequences also differs. The department apparently sees its duty as being rigidly fixed by law, with the compassion option left over to the Commerce Commission or other administrative or judicial processes.

Hauraki and other privates — Radio Avon in particular — see the bureaucrats pursuing a test case that might be intended to open the floodgates and bring private radio financial affairs right under Government scrutiny.

The department's suggestion for amends of arrears — estimated to be round the $300,000 plus mark — extends to a temporary lowering of advertising rates until matters are settled.

This raises another question — Hauraki's peak 30-second rate is $42, well under the peak 1ZB rate of $50.

If officialdom forces Hauraki to drop its prices, the whole competitive balance between the stations (and others less successful in the Auckland area) would be thrown.

This is the argument the company put up to Broadcasting Corporation chairman Ian Cross, who has agreed to add informal backing to Hauraki's behind-the-scene campaign to hasten along the removal of "category B" profit controls.

The BCNZ, which has been meticulous in its adherence to the rules, doesn't want to be forced to drop 1ZB rates to follow Hauraki, especially in the only time zone (breakfast) in which it had a clear ratings lead over the private station.

If Prime Minister Muldoon acts on the hint he has given, that controls will be lifted, Hauraki hopes this will persuade the department to drop any charges that might be laid against it.

The key issue now is: when? If Muldoon holds it over to his Budget the processes may be too advanced for the matter to be dropped quietly, as all parties would seem to like.

It now looks as if Hauraki might have overplayed its hand by putting the heat on Adams-Schneider's department.

His angry defence of the department against claims of yet another leak would hardly have endeared Hauraki to him as he moved to press his Cabinet colleagues for an earlier lifting of controls.

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Duties and levies flaw jewellery industry

by Warren Berryman

THE New Zealand jewellery manufacturing industry has mare than doubled its exports ovar tha last three years. And it is headed for another record export year through such unlikely activities aa selling opal rings to tha Australians and Fijian souvenirs to Fijians.

But two dark clouds loom ovar ths induatry's comparative advantaga over its overseas competitora.

The first ls the high duty rete peld on gamstones; tha second, a levy on gold to subsidiaa this country'a major gold producar—tha Kanleri Gold Dredging Company.

The gamstone duty is tha most formldabia impediment to exports.

Manufacturers pay 25 per cent duty on gsms imported from developed countrias and 10 per cent on those from developing countries.

Duties were increased from 15 per cent and a nil duty respectively last year.

Australians, who ara our biggest market and competitor, pay no duty on gemstones.

In theory, local manufacturing jewellers can recover duties when tbs jewellery is exported—the duty paid causing them no more harm than a short-term cash flow problem.

But the administrativa difficulties involved in obtaining the duty drawback are such that faw jawellery exporters bother.

If, when tha menufecturer imported his own stones, he told Customs that the gems were destined for ra-export, ha would have littla difficulty getting the drawback.

But most jewellers buy their stones locally from importers.

Tha imported value and duty paid are not usually divulged to tha end-user, for fear of msking known merkat sources and markups.

Thus, the exporter bes no basis for obtaining the drawback.

On top of the gemstone duty, jewellers must pay a 40 cents a gram surcharge on their gold to subsidise Naw Zealand's major gold producar—tha Kanieri Gold Dradging Company.

Kanieri, a subsidiery of Amoll (NZ) Ltd, is part of tha Brierley Investmant Group. In spite of an increase in the world prica of gold from $35 an ounce to tha present $232, Kanieri claimed it could not continue without protection.

The Department of Trade and Industry sat up a protectiva arrangement with our threa bullion merchants (one of which is a Brierley subsidiary). Kanieri produces ebout 6000 ounces a yeer, or sbout one third of Naw Zealand's needs. The bullion merchants were to take all of Kanieri'a production before importing.

Jewellers havs to pay a Kaniari subsidy (auphemistically callad a "premium") into a pool on every ounca of gold they buy, whather or not it is imported or Kanieri-produced.

Trade and Industry opted out of handling the pool account, and turned it over to Wellington accountant Greame Hall, of Martin Jervic Underwood and Hall.

Jewellery exports	FOB values	Imports CIF values
June Yr 1975-76	$1,031,886	$2,962,852
June Yr 1976-77	$1,687,079	$3,516,841
June Yr 1977-78	$2,155,576	$3,804,505
First half-year to Dec. 1978-79	$1,452,555	$754,851+

+ This figure refers to the June-September quarter only
Source: Department of Statistics

The subsidy is intended to meke up the difference betwean the world price and the Trade and Industry epproved price for Kanieri gold.

The amount of the subsidy has ranged from 24 cents a gram to 48 centa, according to fluctustions in tha world price of gold.

The current subsidy is 40 cents a gram, or $12.40 an ounce. The maximum subsidy allowed under the agreement is $15 an ounce. As Kanieri producas only one third of gold used, this brings its subsidy up to $45 an ounce.

The subaidy cen be recovered by the jeweller when he exports his product. This disadvantages him by causing a cash flow problem between the time he purchases the gold and the time he receives his subsidy drawback.

The local consumer bears the brunt of the subsidy, along with the jeweller who produces for the local market.

If a larger proportion of the gold sold were exported, the drawbacks would diminish the size of Kanieri's pool. Subsidy payments would have to be increased, thereby pushing up the price of the domestic product. The greater the export effort, the more the local consumer will be expected to pay for his jewellery, and the harder it will become to sell on the home market.

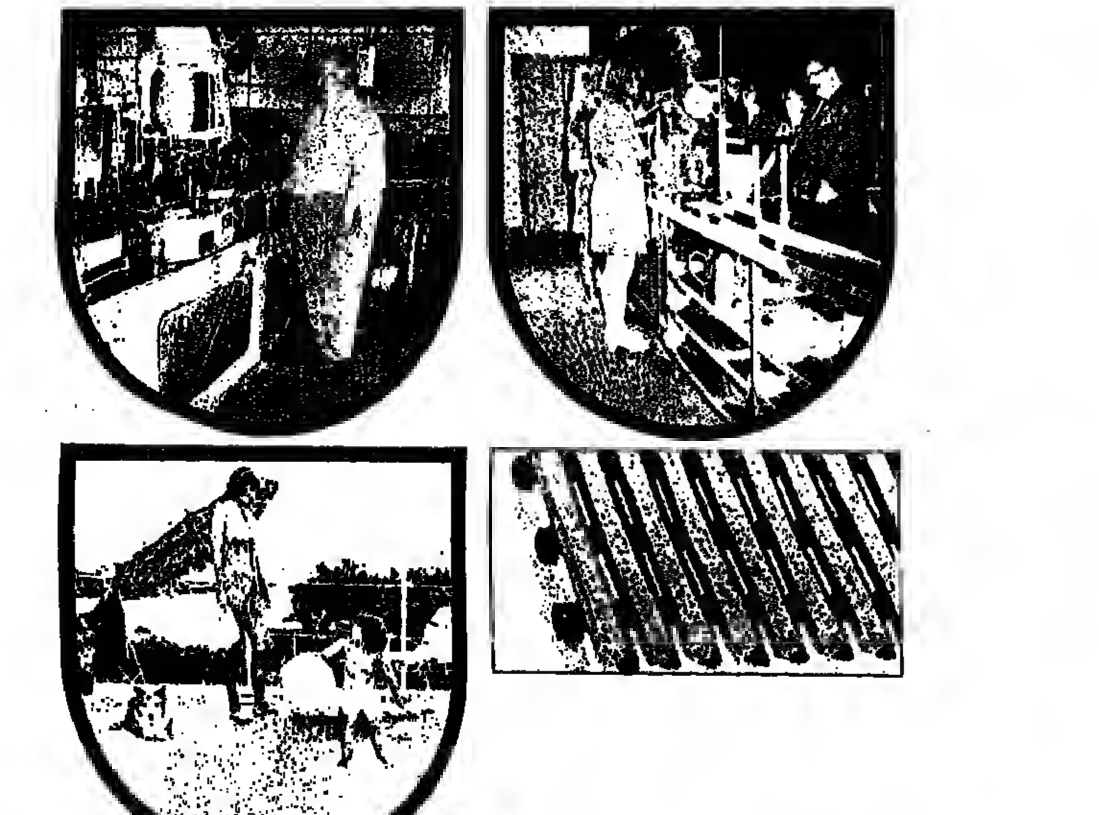
Apart from the Kanieri subsidy, New Zealand manufacturers pay a world price for their gold ... week's London price was ... a gram. The New Zealand bullion merchant price ... $8.46, plus the 40 cent ...

An Australian jeweller ... buy his gold for $8.0... .

As gold is covered by ... licence, it is unlikely ... anyone would be allowed ... compete on price.

There is one bright ... the local manufacturer ... gold is cheaper here than ... Australia, and these ... alloys form the bulk of ... traded here.

Trade and Industry ... a scheme under which ... exporter can obtain ... licence for an equal ... amount of gold exported ... only large firms, which ... afford to tie up large ... bulk buying, use it.



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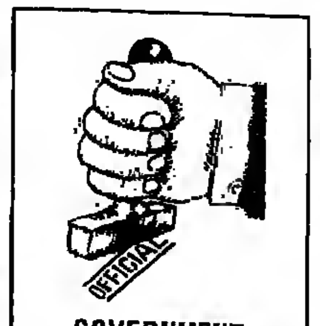
McLay begins to ease off red-tape noose

By Bob Edlin



GOVERNMENT ADMINISTRATION

WHEN Trade and Industry Minister Adems-Schneidar announced the publication of a further list of goods proposed for addition to Schedule A of Nafta on July 1, ha focussed on yet aoolher example of business affairs bound up in red tape.

The list of nominations for the 19th Review of Schedule A comprises 23 itema in tarms of New Zealand tariff.

"Companias wishing to mska representations either for or against the inclusion of e parlicular product in this nominsllon list should forward their representations to the Secretary, Department of Trade and Industry, Private Bag, Wellington, by 18 May 1979", the Minister solomnly declared.

"Where thers are objections, the appropriate enquiries will be conducted end my department will report to the Government on the outcome.

"The implications of Schedule A inclusion for domestic manufacturers will be fully aveluated. Where there are no objectioas to the products nominated, these will be sdded to Scheduls A on July 1 1979."

And so was set in motion yet snother exercise to keep businessmen busy promoting sod protecting their trading interests, end bureaucrets busy sifting through the resultant paperwork while they psve the way for the next bout of Nafta Minislarial talks.

The first task for the businessman, indeed, would be to find out which 23 items were involved. The Minister didn't nsme them, but aald they would be published in the New Zealand Gazette on March 22. Alternstively, copies of the list could be obtained from offices of the Department of Trade sod Industry.

But coping with Nafta is a simple task, compared with the demands of complying with price control regulations which belstedly are being dismantled.

The basic price curbs were tucked away in Pert IV of the Commerce Act 1975. Superimposed on thia was tho Stabilisation of Pricea Regulations and the remnants of the Prica Freeze Regulations.

In the five yaars from 1972 to 1977, there were 39 emendments. And in 1973, 20 sots of regulations were promulgated.

As Wellington lawyer Ian McKay pointed out in a apeech in July last yeer: "Thare are provisions in the now current regulations which refer to the prices that could be lawfully charged at the date of their commencement, so that it is sometimes necessary to go beck into the repealed regulations in order to ascertoin the prices that may lawfully be cherged today."

If price curbs did anything for better business, it was for the better business of the lawycra called in to explein what was whet, and of ths civil servants who helped creete and administer the controis.

McKay mads this clear when he asked his bemused audience: "How many supplIera of services epprectate the fect that edmissible costs include only part of the wage increases since 1974, and that they are required to absorb, in the case of a supplier of group 1 services, so much of the increase as exceeds 8.25 per cent, but does not exceed 11.25 per cent, and in the cese of group 2 services so much as exceeds 9 per cent but does not exceed 11.25 per cent? Has there ever been any attempt to enforce these regulations, and hes the department ever been provided with the resources to do so?"

That was just the sort of thing that has aet the Chamber of Commerce into its continuing cempaign against tha choking of business by red tape.

With regerd to a wider public, the Labour Party has been nmassing evidence on the extent to which aociety la burdenad by e plathora of legialetion and regulation.

While the critica heve been loud in their crics for reform, few may heva noticed one Governmant polilician ahaping up to do aomething about it.

Two announcementa by Justice Minister McLay had him iooming aa the first effective reformer in the portfolio since Ralph Hanan.

In a nutshell, McLay atruck two blows for common sense and the ordinery citizen.

First, he announced details of a new streamlined method of reprinting public acts of Parliamant. Tho first four volumes of tha new reprint will be with the Government Printer this year.

"Many of the axisting volumes of statutea contain much 'dead' material — legialation which is no longar in force. The new seriea will result in s considerable reduction in the number of volumes," said McLay.

Exampls: the 'live' content of the 18 volumes of the previous 1957 reprint will be compressed into just three volumes.

The Minister said it was intended that by 1983, all public generai acts would have been reprinted in the preceding 10 yeers. Once that point was reached, a continuous reprint would be msintained, with eerlier volumes being progressively replaced.

The Minister said he was also considering ways of improving the availability of statutory regulations, including seeking the view of professional organisation. And he is encouraging a clean-up of ths volumea in that series.

"This involves revoking obsolete reguiationa and consolidating or reprinting a number of ragulatioos. For example, it seems that a conaoiidation of ths Incorporated Societias Regulations 1838 is well overdus and I have authorised preparation of such s consolidation."

Sacond, McLay announced that the Law Reform Council wili meet next Tuesday for the first time since July 1878.

"It is important that we get away from the idea that we can necessarily solve social problems by legislation," McLay said, then.

"Often the best type of law reform can result from a decision not to pass legislation. At the same time we must accept legislation for improving and modernising those laws which are out of date."

The Minister of Justice in New Zealand has a particular responsibility to bring before Parliament proposals for the revision of the common law and that part of the stetute law not administered by other state departments.

JIM McLAY . . . reduces regulations

He is helped by five standing committees, each specialising in a particular area of the law. These committees consider topics referred to them by the Ministar and report back to him.

Until 1975, the Law Revision Commission similarly helped the Minister. But it was replaced by the smaller and more informal Law Reform Council.

The council comprises the Minister, the chairmen of the five standing committees, and the permeneot heads of State agencies involved in law reform. Its aim is to provide e maans of communication among the committees end with those involved in the implementation of their reports.

Purging the statute books will be among the problems McLay will diacuss with the Law Reform Council.

He is likely elso to raise the question of court sentences. He has made clear his support for the idea of fecilitating payments of restitution and reparation ao thet offenders can be aeen to be repairing harm done to victims.

McLay also wants the courts to have a broader range of sentences from which ta choose when dealing with offendera, and favaurs a sentence of community service to "help to instill a sense of responsibility, particularly in young offenders."

Above all, the Minister emphasises that "all of this is the type of lew reform that the community can understand, appreciate and, I hope, agree with.

In fact, it represents a "In fact, it represents a constructive response to the the 1970s and 1980s."

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NBR BUSINESS WEEK

Oil price hike reflects into NZ trading

by Peter V O'Brien

OVERSEAS TRADE

THE OPEC oil price increase has implications for New Zealand beyond tha extra $130 million a yeer which Energy Minister Birch aays will be tha additional cost 'n overseas funds on an enoua. basia.

Tha reaction of overseas money markets to the announcement will also influenca all our trade activitlea and the balanca of paymonta. The fluctuating movemant of the United States dollar against other currencies affacts our external reservna, due to tha method of payment for both imports and exports.

When oil prices go up, the United Statee dollsr traditionally waakens against other currencies, particulerly tha yan, Deutschemark and, depending on other relationships, aterling.

The present situation, of a dollar waekening against these currencies, is the reverae of what happened three weeks ago. At that time the Bank of Japan undertook a masaive exercise to stop a rise in the dollar against the yen, but failed to achieve its object.

The Bank of Japan in one day eold $US600 million on the Tokyo foraign exchange market, compared with its previous record intervention of, $200 million in 1977. Tha total traded in Tokyo on March 14 was $1100 milliou, compared with a record for the market of $1380 million tradad in November, 1978, eccording to news reports from Tokyo.

United States oil companies were taking staps to cut back deliveries of crude oil to Japan, and it was felt that inflationary pressures on the Japanese economy would push price movements beyond the 5 par cent guideline which the Government haa set for 1979.

Japanese authorities suggested that the oil companies' move could lift the country's oil bill from its present level of $24,000 million to even greater heights.

Reporta from Tokyo said that the dollar had gained a total of 32 yan aince October, 1978, when it was trading at a record low of 175.50 yen.

The poaition has changed aince then. The OPEC decision, possible movementa against the United States by Arab countries, and the non-existent Carter energy policy, altered the movement last week.

On March 26, the dollar fell from 206.33 yen to 205.90; from 1.8640 marks to 1.8585, while sterling moved from $US2.0430 to 2.05 in about three hours. Gold also moved up against the dollar. The dollar was again under pressure the following day, after a slight recovery.

While these movements may seem only the affairs of the esoteric international money markets, they have some effect on our balance of payments position.

The overall value of the New Zealand dollar is set according to a formula which weights a "basket" of currencies, based on our trade relationship with the countries concerned.

But we pay considerable amounts of United States dollars for imports, although not all the goods are of American origin, and we receive another sizeable dollar sum for export business.

The latest figures for the Overseas Exchange Transactions, published by the Reserve Bank, cover the year ended December, 1978. In that year 14.1 per cent of export receipts were paid in United States dollars, and 14.8 per cent of total current account receipts. (Those figures exclude "invisibles" transactions.)

On the import side, 27.0 per cent of total payments were made in United States dollars and 25 per cent of total current account payments.

The table gives the breakdown.

The figures show the currency fluctuations may cancel each other out in relation to export receipts, which are fairly evenly spread among the major trading partners (United Kingdom, Australia, United States, and Japan), but the import situation is different.

Payments to the United States are expressed in country of currency, rather than country of the goods' origin, although it has been suggested that the New Zealand authorities might move to publish country of origin figures in the OET statistics, as opposed to the Department of Statistics balance of payments information.

Oil imports are the main cause of the hefty amount paid out in United States dollars. Most of the oil imported to New Zealand is settled in United States currency, and therefore a price hike lifts the amount of dollars needed to cover the total import bill.

A deterioration in the dollar's position means that after allowance for trade weighting, this country may have to find less funds to cover the payment, against the actual percentage movement in oil prices imposed by OPEC.

Last year NBR's Economic Correspondent suggested that New Zealand should stockpile oil when the United States dollar falls. That advice was not heeded, but it would have saved considerable overseas exchange.

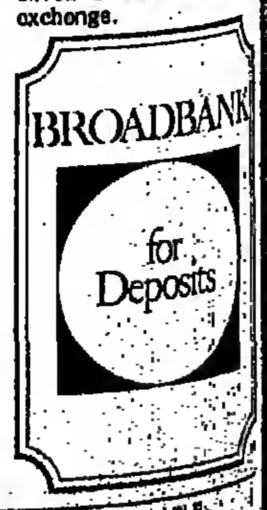
AREA	IMPORTS ($ million)	EXPORTS ($ million)
United Kingdom	591.9	750.0
Australia	655.7	432.2
United States	852.3	516.9
Canada	73.3	101.0
Japan	353.6	518.8
EEC (excluding UK)	194.0	396.6
Other OECD	74.3	92.6
Asia-Oceania	223.0	534.8
Latin Am-Caribbean	11.8	80.8
Other	31.0	247.4
TOTAL	3,064.6	3,671.1

Clarification

IN an article last week regarding a new rule to cover off market sales of shares, the casa of the Ceramco-Brierley Investments deal with Tappenden Holdings shares was given as an example of an off market sale, which should be reported to the Stock Exchange.

It has been advised that the sale of Brierley's shares to Ceramco waa made on the samn day as the announcement to the Stock Exchanga of Ceramco's bid for Tappenden, therefore meeting the requirements of the proposed naw rule set out in tha article.

The point is taken, in that case, but other examples of such transfers illustrate the need for a new procedure.



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I'd be hastily re-briefing myself for the next appointment as we boarded the aircraft while he would be preparing to fully enjoy the forthcoming flight. One day we were sitting together in the departure lounge bar at Heathrow and we got to talking. I broached the subject of business travel.

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Auditors need to count angels on pinheads

By Peter V O'Brien

THE March issue of the Accountants Journal carriea a statemant which is mora mind-boggling than most of the matarial appaaring in that august publication.

An article titiad Current Cost Accounting: The Audit of Fixed Assets, by J G Ackerley and B R Dixon, of Waikato Univarsity'a Management Studies departmant, includes this sentence:

"It is inevitabie that tha auditor's final judgment of financial reports will be baaed on more subjectiva evidence than in the paat." Given tha presant atate of tha accounting and auditing arts (overlaid on the auppoaedly "sciantific" elaments) that comment opens up wonderful possibilities for the creative people who ara tired of regularly signing certificataa that "proper books of account have been kapt ... the statamenta have been prepared in accordanca with the proviaiona of the Companies Act 1955, so as to give a true and fair view (our amphaaia) of the stata of affairs and the results of tha company daalt with thereby so far aa concerns the mambers of the company".

Businessmen sitting down for annual battle with auditors who come to meetinga armad with lists of quaations and requiramants, can well shudder at the prospect of "more subjective evidenca" to reach the "auditor'a final judgment of financial reports".

Much of what appears in the accounta of companiea at present is based on a mass of "aubjective evideoca", to the extent that numerous balance aheets can be drawn up from the same raw financial data. Valuations, provisiona, treatment of doubtful debts, leasea, movementa in reserves (whether itema are revenue or capital) and othar iasuaa happily engaga auditors in financially rewarding hours, while teating the patience of executives and directore. The latter may have many motivea (some occasionally ulterior) to insist on the prevalence of their point of view. The auditor'a final sanction is to tag tha accounts, although there are cases around tha world where the watchdog is prepared to keep hia taeth out of sight. Thoae cases can finish up in the courts, often to financial debilitation of said watchdog.

Tha authora of the Accountants Journal article set out various alternatives for tha valuation of fixad asaets under current cost accounting procedures. They have made a valid asseasmant of treatment of different claases of aasets. But their comment on "subjective evidence" ia followed by thia intriguing passage:

"This judgment must be developed end improved with education in CCA procedures and experiance in the clients' financial affaira and operatioos. The end being sought is relevant and reliabla financial information and auditors must atrive to meet this end".

Few people in industry or commerce would diaagree with the end, apart from the rogues who pop out from various holes from time to time, but that "improving judgment" brings several possibilities to mind.

Some will horrify the more neolithic membars of the profession who can be heard moaning in thair gins that the aducation ayatam ia already producing peopla who are "useteaa", "impractical", and with "ideaa above their atation", particularly the products of university commerce courses.

The ancient univaraity disciplines could be set for a revival in studant numbers. Various profasaors of philosophy, clasalcs, linguiatics, music, and theology will be pleased to provide the traditionat regimes for the development of judgment in the budding auditors. We may even aee a revival of Rhetoric Aesthetica, and Poesy in the Interesta of a well balanced profession.

(A good dose of arithmetic, spelling and reading would not go amiss either, but there ia little chance of those tedious aubjects gaining popularity in the near future).

The final development could be a revival of the system of mediaeval disputation — a practice which already haa modern overtonea in some of the diacussions between auditora and company repreaentatives.

Given the nature of the argument about how many angels could stand on the heed of a pin, the development would be appropriate. A recent British reference points out that the disputation had nothing to do with a aterila intellectual exercise. It was based on the view that any number of angela who could so stand must be either finite or infinite. If the number could be calculatad it suggested a limit, and therefore led to the propoaition that such beings ware material. That would have profound impact on the beliefa of thoaa deya.

Since auditing attempts to make finite tha (almoat) infinite possibilities of treating financial data, and now apparently requires more subjective evidence and judgment, the curriculum adviaers have new scope in their attempts to train accountants.

Exchange rates

As at 30 March 1979. $1NZ is worth:

Australia	.9410	Italy	878.98
Britain	.5106	Malaysia	2.2918
Canada	1.2197	Netherlands	2.1019
Fiji	.8690	New Caledonia & Tahiti	81.23
Japan	218.28	Norway	8.3146
West Germany	1.9500	Pakistan	10.27
USA	1.0502	Papua-New Guinea	on application
Austria	14.25	Portugal	50.25
Belgium	30.85	Singapore	2.2682
China	1.6276	South Africa	.8798
Denmark	5.4160	Spain	71.78
France	4.4878	Sri Lanka	on application
Greece	38.05	Sweden	4.8641
Hong Kong	5.1559	Switzerland	1.7639
India	8.4497	Western Samoa	.7524

Key indicators

		CURRENT PERIOD	PREVIOUS YEAR	PER CENT CHANGE
Consumers Price Index - all groups base Dec 1974 - 1000	Dec 78	1,101	1,000	+10.1
Building Permits Issued	Nov 78 Nov 78 yr	$107.4m $1038.5m	$108.1m $1168.1m	+0.00 −11.00
Official Overseas Reserves	Jan 30	$788.4m	2685.00	+26.00
Registered Unemployed - incl those on special work schemes	2 Mar	30,861	31,000	+00.00
NSE Share Price Index	30 Mar 79	380.00	341.87	+8.00
Reserve Bank Share Price Index	28 Mar 79	1410	1314	+3.00

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Budget deficit: its effect on monetary base

by Peter V O'Brien

THE Institute of Economic Research has produced structural analysis of the impact of the budget deficit on the economy's "monetary base" and on the expansion of private sector credit.

The paper, Indicators of the Impact of the Budget, by Institute staffers R A Buckle and S L Snively, is published in conjunction with the March Quarterly Predictions (discussed in NBR, March 28).

The paper sets out to "provide a broad indication of the effects of Government budget transactions on domestic economic activity". Its main use for the layman in industry and commerce lies in giving a base from which to assess likely future movements in interest rates, provided other factors relating to Government policy, business confidence in regard to investment decision making, and the distinction between short term finance and longer term capital investment are taken into account.

Those factors were outside the scope of the paper, but that point is immaterial to its worth.

The paper commences with the Government's budgetary deficit, and makes a number of adjustments to the public accounts to measure the impact of the budget on the monetary base.

But the authors say that even these "indicators do not measure the entire budget impact." A fuller discussion of the fiscal and monetary impact of the budget will be the subject of a forthcoming publication.

The budget's contribution to the monetary base is given in tabular form. Total Government expenditure less total Government revenue produces the "Budget Table Two", which will be in surplus or deficit in any year. Government imports are then subtracted, and Government exports added to that figure to give "Net Internal budget deficit before borrowing". The table next subtracts internal borrowing from the non-bank private sector (eg the New Zealand Savings Stock). The result is the "net effect on money base", to which is added (or subtracted depending on the impact) the net activities of the Reserve Bank. The final figure becomes the total change to the monetary base for the year caused by the budget.

The table presents this information on a quarterly basis. In the March 1978 quarter the authors show a decrease in the monetary base of $252 million (tax time), a further decrease of $251 in the June quarter, and increase of $252 million in September, and a solid lift of $342 million in the December quarter of 1978.

"An increasing deficit will cause a rise in the level of private sector spending and the size of the change in the deficit will influence the growth rate of private sector spending."

Once the change in the monetary base has been calculated as shown above, the paper moves to consider the effect on private sector credit. But it points out that the budget is not the only influence on the monetary base of the economy.

"The other main sources of change to the monetary base are overseas exchange transactions, the role of the Reserve Bank as banker to the producer boards and as holder of the farm income stabilisation accounts, and private sector transactions with the Reserve Bank. Sufficient data are not yet available to enable us to make an up to date adjustment for the first two influences...the budget data have been adjusted for private sector transactions with the Reserve Bank. The main influences here have been the various borrowing facilities made available for trading banks by the Reserve Bank as a means of offsetting large changes in reserve assets arising from some of the budget influences mentioned above.

"When the data is available we shall also include the effects of the balance of payments transactions and producer board transactions with the Reserve Bank on the monetary base" (in addition to regular data showing the impact of the budget on the monetary base).

The movement from increases in the monetary base to increases in private sector credit is said to have a nine months' time lag. On the basis of the current information, the following is a summary of the likely movement in private sector credit:

"The outcome of the large increase in the monetary base throughout most of 1978 will be a continuation of the high rate of growth in the money supply and in domestic credit in the first half of 1979. The annual growth rate of private sector credit is currently over 20 per cent. A contributing factor to this is the stimulatory effects of the increasing budget deficit on the demand for credit. Because of the time lags involved, we expect that the slower growth in the monetary base from early 1979 will not be reflected in a significant decline in the growth of private sector credit until late this year."

The effects of that statement on interest rates seem to involve several variables. While private sector credit increases, ie the supply, the demand could remain the same or fall. In that case interest rates could be expected to drop. If demand is at the same level, or ahead, of the growth in credit, rates would rise. But the key is at what end of the market. At present there is a demand for short term money, and little demand for longer term capital investment.

This suggests that short term rates will remain near their present level in the foreseeable future. That proposition in turn depends on what the Government will do with its interest rates. If there is little demand for long term funds, the Government could be expected (laying aside political considerations for the moment) to keep its rate close to the present level.

On the other hand, the Government might look to the short end of the market to finance its borrowing needs, requiring a relatively high and competitive rate on short dated securities.

A third possibility (but probably impractical for political purposes) might be a higher rate for Reserve Bank lending to the farming sector and the producer boards. That would lift the cost of funds, and possibly dampen down borrowing by those sections. Demand would decline, and the flow on effects to demand from other sections would also influence rates.

The private sector, particularly institutions, eventually has to make a value judgment on these matters, but the paper from the Institute's staffers is a useful starting point of concrete information on which to base that judgment.

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Timber comeback will aid NZ Forest Products growth

by Peter V O'Brien

TIMBER stocks are on the way back, with market heavyweight NZ Forest Products in the lead.

The company's shares spent most of 1978, and the early part of 1979, languishing a few cents above $2 for the $1 units, for a dividend yield of more than 7 per cent. That figure was unheard of in the "old days" of the early 1970s when the yield was under 3 per cent, and every institution and broker was buying the scrip for "growth".

Then came the recession and a contraction in local and world demand for wood products. Forest Products' earning rate fell in 1975 (although a bonus share issue affected the return that year), enjoyed only minor growth in the next two years (including another cash issue) before sliding in 1978 when net profit declined from $25.3 million (1977) to a little under $20 million.

The share price has moved up strongly since February, in line with indications of a good result in the year to March 31, and in anticipation of increasing profitability in future.

Company managing director Doug Walker gave an indication of the trend last week. He told a press conference in Wellington that Forest Products was in a period of consolidation at present. The growth rate is modest compared with the early 70s when high demand, and the results of the 1950s planting programme, were coming through the mills.

In the 1980s the company will be benefiting from the planting done about 18 to 20 years previously, and will be ready for "major growth" again.

Although Walker referred only indirectly to increasing world demand for wood products, this should also help Forest Products and the other companies involved in timber processing. The effects will be indirect, because New Zealand companies cannot compete, for freight rate and other reasons, with the giant northern hemisphere forestry groups.

Rapid growth is expected in Europe, which at present supplies only half its wood requirements. Demand will move further ahead of supply and will be taken up by European companies, and American groups. That should take pressure off markets around the Pacific, thus allowing New Zealand producers to enjoy better prices and growing demand.

(In comparison with companies like Georgia-Pacific, Weyerhauser, and Consolidated Paper — the world's largest coated paper producer — even NZFP is small.)

Kraft pulp prices in the United States moved up 45 per cent in the second six months of 1978, and liner board (used mainly for making boxes) went from $185 a tonne early in the year to $220 between June and September. White paper producers had an even better year than other processors.

United States forecasts suggest that 1979 will not be so good, particularly for those companies involved in timber as such, but there is said to be a shortage of supply in the paper and pulp business.

The longer term outlook is as Walker stated: demand moving ahead of supply, subject to inevitable ups and downs in the international economy.

Within New Zealand, the companies are in a tight competitive environment for their building products, which are a sizeable proportion of total output. The downturn in housebuilding particularly, and to a lesser extent in large scale construction, constricted the market for these goods. The main bull point is therefore in the potential for export markets.

The fact that an additional 125,000 acres of forest a year will be coming into production over the next 20 years or so should give forest companies further scope to improve their profitability, although only a clairvoyant or a fool would attempt to forecast markets at the turn of the century.

Apart from the medium and long term outlook disclosed by Forest Products at last week's press conference, the occasion marked another step in the company's movement from a low profile, say little, don't react, company to an outgoing organisation willing to discuss its activities and structure on a fairly frank basis.

The conservation lobby may have had something to do with this, but Walker's accession to the top slot in the group seems an equally, or more, important factor. Whatever the reason, Forest Products is now talking to outsiders in a manner that befits its rank as the country's largest industrial organisation (excluding The New Zealand Dairy Co-operative Co Ltd, which has massive sales, but is in the nature of a co-op with a small capital base).

D O WALKER . . . "consolidation".

Investors will be hoping that Forest Products' share price reflects the growth forecast for the company in the 1980s. They have done well this year if they bought at the price ruling in 1978. The price has improved about 10 per cent since January. That is a good return from a company with a million ordinary shares at issue.

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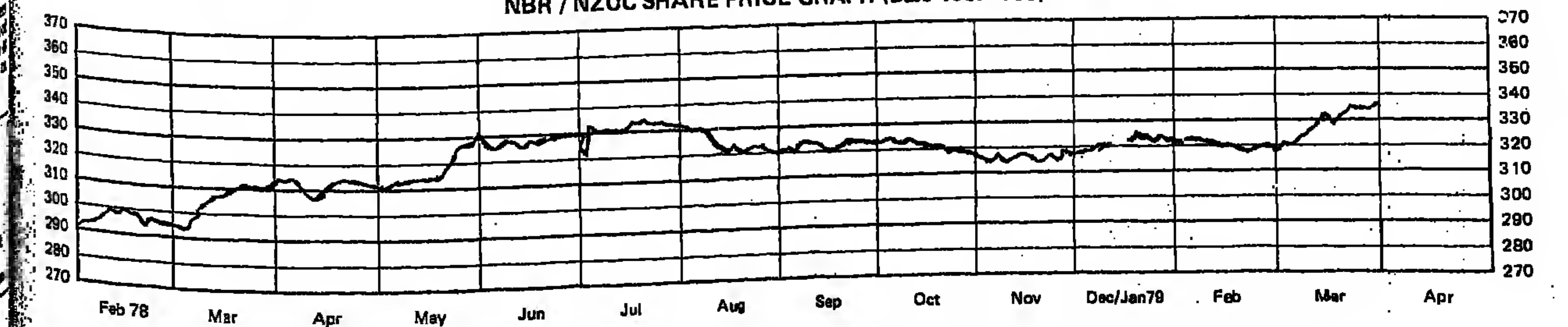
NBR SHAREMARKET SURVEY

WEEK ENDING MARCH 29, 1979

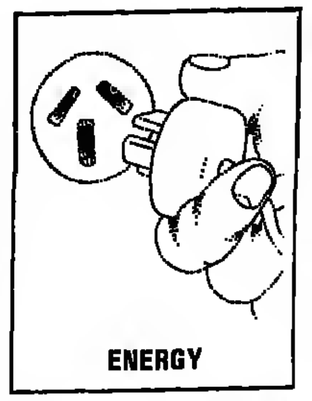
1979 High	1979 Low		Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
118	100	AIRWORK, 50C	103	108	103	12.0	1200	5.8	3.2
205	170	AJAX G.P.F.	250	200	201	15.0	1100	6.5	4.9
105	95	A.J.WHITE	105	105	101	11.5	100	11.0	4.9
137	115	ALCAN, 50C	148	150	149	20.0	7000	0.1	5.1
417	240	A.P.I.	240	241	243	14.0	8200	5.8	4.1
76	72	ALLIANCE, 50C	76	76	75	13.0	11200	8.6	6.6
250	250	ALLIED FARMERS	250	250	253	14.0	4508	5.0	5.2
130	175	ALLIED PRESS	125	125	123	10.5	408	.0	4.9
710	220	ALLOY STEEL	220	...	...	12.8	8	5.5	5.7
		[illegible]	150	...	...	13.5	0	8.4	5.9
218	165	A.M.BISLEY, 50C	155	198	165	20.0	1800	5.4	5.1
76	84	[illegible], 50C	90	90	93	11.0	2008	6.1	14.1
141	125	A.BEAVEN	145	145	127	12.0	22200	8.5	5.8
143	115	[illegible]	115	120	111	14.0	208	12.2	2.5
297	250	A.WRIGHT	250	200	263	17.0	700	6.5	5.1
265	126	A.BARTLETT	205	205	205	14.0	1200	0.8	5.6
133	175	A.ELLIS	155	115	153	11.0	44708	8.1	5.6
337	287	ARTHUR YATES	300	300	273	17.0	5800	5.7	5.1
315	175	ASHBY BEECH	310	310	313	27.5	108	7.5	5.1
296	154	A.S.PATERSON	240	250	243	15.0	21208	5.5	5.1
104	171	A.G.LABELL	135	...	...	15.5	0	8.5	4.8
87	19	ATLAS, 50C	58	60	59	17.5	24700	15.1	5.7
165	116	[illegible]	500	500	503	17.5	300	3.7	17.1
		[illegible], PROP	110	...	...	5.0	0	5.5	21.9
418	916	[illegible], 50C	220	220	213	14.0	41300	3.7	13.7
		A.C.L.	196	...	...	7.0	0	4.5	7.0
18	20	[illegible]	30	20	33	17.5	1908	12.4	2.5
18	11	[illegible], 50C	50	58	55	10.0	9200	8.1	7.6
18	74	[illegible], 50C	75	75	75	12.5	19700	8.1	6.0



NBR / NZUC SHARE PRICE GRAPH (Base 1967=100)

Local bodies vie for gas reticulation revenue

by Nikitin Sailee



MAUI gas is due to come on stream on 31 May — but the Government has not yet decided who will distribute it to homes and industries in smaller North Island centres.

The absence of clear direction from the Government has left local bodies manoeuvering for control of natural gas reticulation — and the revenue it may generate.

Natural Gas Corporation general manager Mr Ron O'Callahan says this "infighting is going on throughout the North Island".

Energy Minister Bill Birch says natural gas will, in theory, be available "immediately" to smaller centres along existing pipelines when Maui gas comes on stream.

But none of these smaller centres is ready. O'Callahan says that some "would like to have done it", but are not proceeding because of the absence of Government guidelines.

Birch plans to include guidelines on natural gas distribution in an "energy strategy", the target date for which is the end of 1979. Two energy conferences in May will help shape these guidelines.

Birch has hinted that when guidelines are set they may call on united councils to advise the Government on how gas should be reticulated.

Birch says he doesn't want to pre-empt any ideas that may come out of the May conferences. But for gas distribution decisions he may look to "the regional government structure that's being established throughout New Zealand where you have united councils in the various regions".

He said: "It looks to me as if I should be advised as to how it should be distributed in each region by the region itself — by a group of representatives from the various energy interests coming together."

But it may be hard to get local bodies to agree on natural gas reticulation. Birch acknowledges that there is "very vigorous competition" among local bodies to distribute gas.

Just how much competition there is can be seen in Horowhenua. Local bodies there started discussions with the Natural Gas Corporation in April last year. Since then, disagreements between the Horowhenua Electric Power Board and the Levin Borough Council have led to these talks now being at a virtual standstill.

MAUI GAS . . . stirs infighting for profits.

The secretary-manager of the Horowhenua Electric Power Board, D A Reid, would like the board to be sole distributors of natural gas as well as electricity in the region.

He says he believes there is sound economic reason for such an amalgamation. It would avoid doubling-up in trench-digging, meter-reading, administration and billing, he says. This would provide "better and more efficient" energy distribution than territorial local authorities could provide.

"The Power Boards' Association believes quite sincerely that gas and electricity are complementary fuels and should be handled by *one energy authority*," Reid said.

Levin is the only local authority in Horowhenua reticulating gas to homes and industry. Levin mayor L Roberts says there is "no possibility" of the Horowhenua Electric Power Board taking over the distribution of natural gas in Levin. "This has been a bone of contention for so long that it doesn't matter," he said.

Roberts declined to comment further on the gas distribution situation in Horowhenua. "You've spoken to Reid," he said. "Publish his side of the story without comment from me."

Councillor J Clunie of the Kapiti Borough Council says the lack of progress at the regional level has led to the Kapiti council making initiatives at a more local level. Together with the Otaki Borough Council and the Horowhenua County Council, Kapiti is negotiating with the Natural Gas Corporation to get gas reticulated in these areas.

But O'Callahan of the Natural Gas Corporation says "it would be a disaster if there were a large number of small authorities" to whom the corporation had to deliver gas. He considers that a Kapiti-Otaki-Horowhenua County grouping "would be much too small".

Based on the Horowhenua experience, and on O'Callahan's statement that there are disagreements on this issue among local bodies "all over the North Island", Birch may not solve very much if his energy strategy throws decision-making back to the local bodies.

But even if local bodies can agree, the united councils on which Birch may rely, will not be formed for months.

K Gilligen, secretary of the Local Government Commission, says the commission won't decide the fate of the various proposed united councils till the end of this year — and, he says, "it could well go over that" before the councils are fully operational.

There are presently some "interim united councils", but, according to Gilligen, they have no legal standing.

The question arises of local authorities seem ... to control reticulating natural gas.

Kapiti's Clunie says ... what is at stake is ...

"The object of the K... Borough Council is quite ... to be a partner in the profit... distribution of natural gas... means of providing alter... income to rates.

"We as councillors wo... failing in our responsib... we didn't pursue that," ... said.

O'Callahan disagrees ... don't see it as a money-... venture — it's a servi... people."

O'Callahon says ... although gas from the ... works has been on stre... years, the Natural Ga... poration has not enco... smaller centres to hook ... the system. This is bec... there has not been comp..., to encourage wide-scale ... pansion, he says.

That situation changes ... the advent of Maui.

Amidst the doubt over ... will distribute these ... natural gas resources, ... who will get any profits, ... is another question: ...

BILL BIRCH . . . stop ... and let's make decisions ...

wasn't all this sorted ... before Maui gas was ... available?

O'Callahan says ... question can be ans... "with hindsight". But ... couple of years ago ... thought that most of ... gas would be needed ... electricity generation, ...

Priorities have changed ... says. Had it been known ... the energy situation wo... to change so rapidly ... would be in a much ... position than we are ... "Our ...

Birch says, ... objective is to have the ... gas distributed. I'm ... anxious that we do ... time arguing who ... distribute it, but rather ... get on and make it ...

But it seems clear ... is a long road ahead ... homes and industries ... smaller North Island ... get piped natural gas.

"Give me one good reason to ship Columbus."

1. People who care. Because we understand your needs, we care about meeting them. And because we care, we get things done. No matter what.

2. Knowing you can count on us. In export, confidence in your ability to meet commitments is all important. With frequent and regular sailings and reliable schedules, Columbus is dependable. Count on us.

3. Continuing Commitment. Through massive capital investment and the maintenance of frequent and regular sailings, Columbus contributes to shipping stability. And by actively marketing our capacity we actually stimulate foreign trade.

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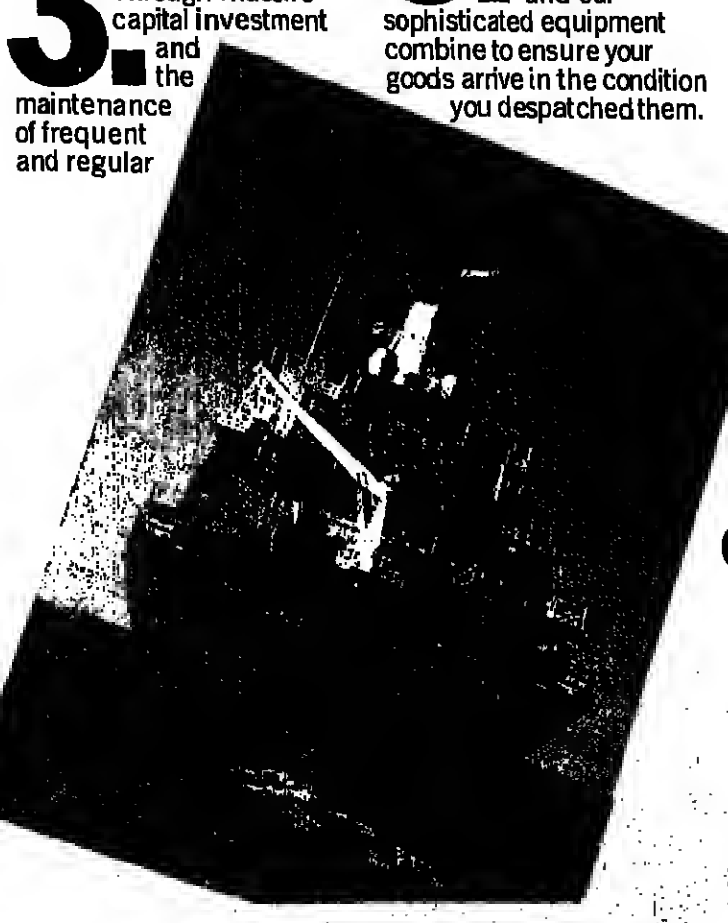
5. Protecting your goods. Columbus Cargo Care. Our special handling techniques and our sophisticated equipment combine to ensure your goods arrive in the condition you despatched them.

6. Keeping up with your needs. By continuously updating its fleet of modern container vessels, Columbus matches the need for increased capacity. This helps to provide traders with the flexibility to capitalise upon immediate opportunities, and the confidence to engage in market development.

7. Our overland connections. With Columbus, you can arrange on-forwarding to final inland destinations at this end. Columbus can even cost out the alternatives open to you, and can help you make the right choice.

8. Opening up new markets. Columbus was the first to provide containerised services to both coasts of the USA and Canada and first to provide regular fully containerised sailings to Venezuela, the Caribbean and the US and Mexican Gulf. Columbus keeps pace with expanding trade opportunities.



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C1035

Foreign journalist bids for PM's job

Economics Correspondent

CHRISTOPHER Jay of the Australian Financial Review reported the other day that "of all the economies of the western world, New Zealand has clocked up one of the worst performances of the last decade".

It takes an outsider to bring home that New Zealand's economy is in a mess. Perhaps Jay should take up Muldoon's invitation to newspaper editors to run the country for three months.

If nothing else, he will be able to keep the local media in line. It would not do for members of the New Zealand media to be seen listening to the words of their own colleagues. Outsiders, well, they are different. They really must know what they are talking about with all of their overseas experience.

Even the Prime Minister took note of Jay's economic analysis. He has consumed much energy trying to undermine Jay's credibility. This is a sure sign that Jay's remarks are near to the truth.

But Jay says nothing about the New Zealand economy that has not been said before, though perhaps he puts things more elegantly. Jay is not the first to point out that the economy is in crisis.

"The parameters of New Zealand's economic crisis include a deepseated balance of payments problem, an increasing hemorrhage of skilled people through net emigration. Inflation is getting out of control and high unemployment is only partly papered over by the Government make-work efforts.

"Urgent action is needed if New Zealand is not to flounder in a morass of currency crisis, stifling import controls and spiralling inflation . . . ."

Jay repeats a favourite theme of Colin James, NBR's political correspondent, when he says "behind the scenes, New Zealand's economic establishment has diagnosed the problems with pinpoint accuracy and is chafing at the bit to get New Zealand on the road out of stagnation".

"It is paralysis of will among the country's political decision-makers which is blocking the necessary initiatives."

Before Jay becomes Prime Minister, he will have to be re-educated on the full employment issue. Jay accuses New Zealanders of sensitivity about full employment, "reflecting a preoccupation with a concept of overfull employment which is even more complete than the Australian set of postwar expectations".

Jay found the "mythology" of full employment so all pervasive, that many New Zealand economists and officials interviewed for his articles were not familiar with the Australian technique of calculating unemployment as a percentage of the labour force.

Let the Australians keep their method of calculating unemployment and we will keep ours, limited as it is. The present level of 55,000 or so people registered as unemployed or employed on special Government work in New Zealand is equivalent to about 250,000 people unemployed in Australia. Certainly 250,000 cannot be passed off as a low number, even if it equivalent to only 5 per cent of the work force.

Jay says New Zealand's unemployment problem is *probably* the most *visible* sign to the populace of the underlying deterioration in New Zealand's economic situation, which actually stems from the prolonged difficulties of the country's export performance.

Jay reports that in the past three years a steady net outflow of population from New Zealand has also increased as young, ambitious New Zealanders depart for the livelier economies of other countries, most notably Australia.

And emigration has not even relieved the perceived problems of unemployment, since the departing emigrants are heavily biased toward precisely the skilled and managerial groups which are needed in New Zealand if employment is to be created for the unskilled labour now on unemployment benefits.

One of the other repercussions of increasing unemployment has been to stampede New Zealand politicians into a series of hastily conceived expansionary measures which will exact a severe price in terms of increased inflation and further disturbences to the New Zealand economy.

These policies have long-term economic costs.

Jay quotes the Paris based OECD, who point out: "A stance of fiscal policy involving a budget deficit equivalent to 8½ per cent of GDP in 1978-79 and monetary conditions such that the broadly defined money supply is expected to grow by over 20 per cent in the current financial year would seem to involve risks of a major deterioration in the external accounts (an increase in the balance of payments deficit) and price performance".

And as New Zealand's own forecasters, the New Zealand Institute of Economic Research have predicted, the recovery of activity as a result of the Government's stimulatory fiscal policy is likely to take the form of a short-lived consumer led boom which will cause imports to increase.

So long as New Zealand is overwhelmingly dependent on a small group of primary products, it is going to remain subject to severe swings in its terms of trade. The social and economic costs of these swings are great. Soon the farmers will have New Zealand to themselves if trends in outward migration continue.

The Government's policy should attempt to offset undesirable economic effects of swings in the terms of trade, not add to them.

As Jay points out: "Much of New Zealand's policy making elite has still not recovered from the trauma of British entry into the EEC, which in *the long run meant* the *end of* the British connection".

It remains to be seen whether the New Zealand political establishment is prepared to take the necessary measures now that the British connection has been broken. Determination of the necessary measures will involve straying from the safe path of known markets and taking risks with non-traditional products in non-traditional markets.

And "it is high noon for the New Zealand Prime Minister" according to an editorial in the Australian Financial Review which accompanied the Jay series. "The cumulative failure of politicians to grasp the nettle over the past decade has produced a situation which needs to be cleaned up within the next two years if the New Zealand economy is to be set on the right path without serious dislocation".

Australia's interest in this matter is not simply an unselfish desire to see a neighbour get ahead. "Viewed so long in Australia as a prosperous rural backwater . . . New Zealand is emerging as a problem economy whose difficulties may have serious repercussions on the reciprocal relationships across the Tasman".

The Review suggests that to help New Zealand out, the first step is guaranteed access to the Australian market. Then New Zealand industrialists could plan ahead with more certainty and commit necessary funds on modernisation and restructuring. Australia would gain an extra market of 3.1 million and New Zealand would add another 14.3 million.

Jay offers New Zealand's politicians some good advice and Australian ones too. How about it?

Non-conference line bites the dust

by Warren Berryman

THE number of shipping lines vying for trade on the New Zealand-Far East run has been reduced by the departure of non-conference Croisdale Shipping Pty Ltd from New Zealand.

Some major bulk shippers say they are concerned that the conference may be tempted to increase its rates now that competition has been reduced.

Croisdale, an Australian-based bulk charter operation, was placed in receivership last month. A prolonged hold-up on one of its ships in the British transport strike is understood to have sounded the death knell for the company.

A New Zealand receiver was appointed last month.

Croisdale entered this country's trade two years ago to provide a bulk shipping service after New Zealand Eastern Shipping Committee lines shifted to containers.

It was followed a year later by Armada Lines, a Danish company which owns and charters ships. This company is represented in New Zealand by McKay Shipping. Croisdale is represented by Oceanic Marine Ltd.

Both Croisdale and Armada carried cargoes unsuited for container shipment, such as pulp, timber, and produce such as grain and onions.

They both recently lost the exclusive hold on these cargoes when NZESC complemented its container service with conventional cargo space.

This reintroduction of the NZESC residual service is believed in shipping circles, to be responsible for the erosion of Croisdale's position and should put significant pressure on Armada.

The two non-conference shippers' rates were only marginally below conference rates, but they were seen by exporters as a key factor holding conference rates down.

McKay Shipping's Ian McKay said Armada would remain non-conference and competitive.

Armada's service is now monthly, McKay said, but this could be stepped up to fill the hole Croisdale left.

Oceanic's manager Mike Wade said: "If Croisdale can overcome its cash problems, they would like to re-enter the New Zealand trade.

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OFFICE OF THE
Minister of Energy
WELLINGTON, NEW ZEALAND

An Open Letter
to all
SENIOR EXECUTIVES

PETROLEUM CONSERVATION

New Zealand's stocks of petroleum products - petrol, diesel and fuel oil - are low and it is impossible to forecast any short-term alleviation of the problem. This being the case, common prudence demands that action be taken NOW to conserve the limited reserve we have on hand. The government's overall target for savings is 7%.

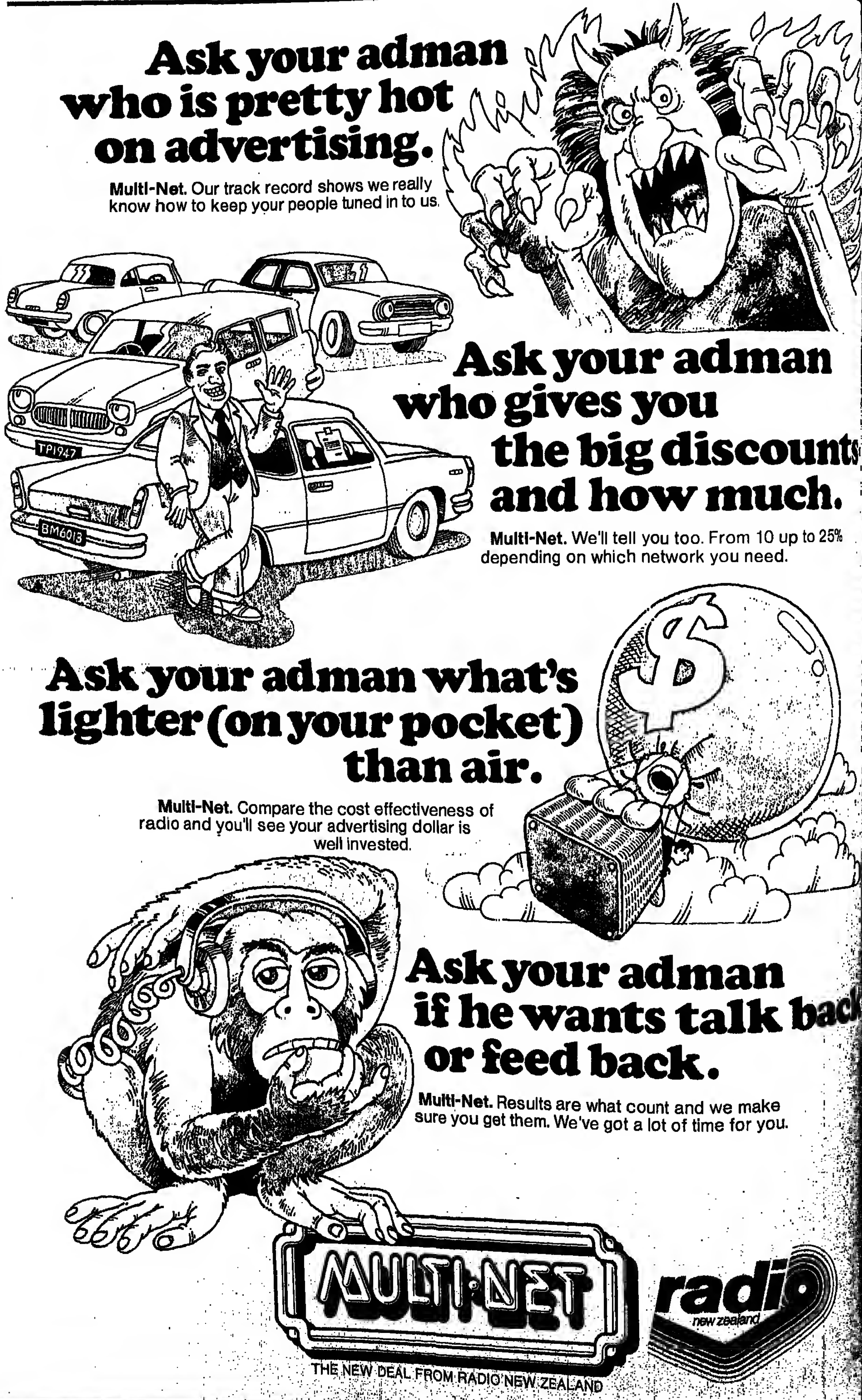
The Government has already taken steps to restrain demand for petrol by 10 percent in the motorist sector, both through mandatory controls and voluntary conservation. Whilst research shows that 66 percent of all private motorists are already acting to conserve petrol, the position is being monitored daily. Further, and firmer, mandatory measures will be implemented if these become necessary.

To avoid any disruption in the business area, arbitrary restraints which might tend to affect productivity or employment have, until now, been discounted. But I am only too well aware, as you must be, that there are opportunities in every business for voluntary petroleum economies. These economies need not cause disruption, but would make a meaningful contribution to our conservation campaign. I have requested that the passenger and freight transport sector uses its best endeavours to save 7%, and industry 5%.

Reports have reached my office from many organisations detailing positive steps taken to conserve petrol, diesel and fuel oil. If you have not yet taken action I am asking each of you personally to take stock of your organisation's use of all petroleum products and than to issue instructions to reduce usage so far as is commercially possible, without adversely affecting the efficient operation of your enterprise.

Yours sincerely,

W. F. Birch,
Minister of Energy.



resh view of
tate situation

WSON LODGE media ector, Roger Bilson, has en issue with tha analysis of telsvlsion altuation lled ln an Ogilvy and ther media bullatln aod orted in Admark oo March

Rather than a 25 per cent rease in the efficiency of levision One rotate airtime er 1978, there bss been a 1-2 cent locraase io ef- iency," Bilson argues. "If meone is going to anslyse levision performance and es, the msths involved must correct."

He said the effect of a eater proportion of spots ing fixed into certain brsaks fected the probability of ing placed lo thst break on a tate buying basis. "But, this creased proportion of fixed ots can only affect the obability and, therafora, ficiency of rotate, by 3 per ent. Further, as peak tima tes have only had a 7.7 psr ent increase, the 10.7 per cent this then equstes io is soma 1-2 per cent less thsn inflation.

"Therefore, in constant dollars, television, on both channels incidentslly, is more efficient s medium than in 1978."

The main factor was that Television One was limiting fixing of commercials to 30 per cent content of aoy one break — not 30 per cent of all commercial airtime, Bilson said. "This is a poiot which Television One has always made ss clesr policy. Therefore, the probability of being placed in thst high-rated commercial break still exists.

"By weighting commercial break probabilities, it is not difficult to establish this 3 per cent reduction in elliciency. And, the subsequent effect on the quoted 29 rating percentage point sverage is less than one rsting.

"Though probability formulse can be complicated, the maths involved in this exercise are very basic."

Bilsoo said he had checked the calculations by utilising three alternstives and in each case hsd achieved the same 3 per cent.

He commented on two other aspects covared in the report on O and Ms bulletin.


ADMARK

• "It would have helped in the snalysie of Television One versus Television Two cost efficiencies, if the correct Television Two rate had been usod. Television Two rates were published prior to TV1's, on December 8, snd ahow fixed programme to be 4.8 per cent higher than quoted, at $1090."

• In a somewhat more conciliatory tone, he referred to Graama Huntar's comments on not buying channals by atation share. Bilson said ha appreciated the intant, but countered by saying: "Agancies look at statioo shares to gauga any chsnnal disparities, but I hava naver yet met any media planner who does not axamine tha efficiancy of the channsle before making any decisione."

PR's uphill grind

WELLINGTON members of the Public Relations Institute were a little put out by the Wellington Regional Planning Authority — and understandably.

When Mike Veal, local branch chairman of PRINZ, found out that the authority was inviting submissions for a public relations programme to promote Wellington as a tourist destination, he also discovered that the submissions were to be sought only from advertising practitioners. Further inquiries revealed that, in the opinion of Wellington's mayor Michael Fowler, "ad men had better contact with the news media", a statement which did not reflect well on his understanding of the PR function.

A letter of protest went forward from PRINZ on behalf of its members. The result is that all member consultancies are to be approached to ascertain whether they would be interested in making submissions. Those expressing interest will be asked to submit a profile of their expartise and qualifications to handle the assignment. The authority will then prepare a short list of consultancies and agencies, which will be asked to submit a campaign concept based on a written brief.

PRINZ is also renewing its approach for a share in Government-funded publicity programmes. The institute's annual report states that representations had been made to the Minister for State Services asking for opportunities ta compete for public service campaigns, particularly those regarded as PR rather than advertising subjects.

A production on this plane of excellence is good for tha industry aa wall as for tha agency which authored it.

Anatomy of an ad campaign

THE 1978 Montana wines advertising campaign, continued this year we obsrva, represents a breakthrough from the painfully traditional approach used by most wine-sellers in the past. Featuring testimonials from European wine experts, it challenges widely-held opinions of New Zealand wines as poor relations of their European forbears. And in the process, carves out a special position for Montona.

SSC & B: Lintas was appointed to the account in Decembar 1977, knowing next to nothing about wine consumers. What research told the agency about the wine market, how it planned to position tha product, the throes of creativa endeavour, the testing of the creative concapt and the final mounting of the campaign are all recounted in an agency promotion piece (more respectably "a special case study report") entitled in 1978 Montana Campaign.

It's a well-compiled, well-written documentation that lifts the veil on agency methodology for the layman, and will earn a grunt of approval from the pro for its agency gut-feel.

Flying for fun

CONTINENTAL AIRLINES hit the New Zealand travel Market with talk of $100 fares from Honolulu to Auckland.

Continental ragiooal diractor Bill Clague amphasises that Continental was not antering the New Zealand market to competa; it was spending $1 million a year to promote tha Pacific in tha United States and 70 per cent of the passengars coming down from the States were expected to return with them, leaving only 30 per cent of tha load to be picked up in New Zealand.

Cheap fares? They were still being negotiated. But Clague said ha expected them to be in line with those charged by Air New Zealand aod Pan Am — a blow to hopes of cheap fares.

Rather than competa oo faraa, Cootinental waa positioning itself in the market as tha "fun airline" with the motto "we move our tails for you".

There was littia said at a marketing policy meating tha other day that would upset national carrier, Air New Zealand. Instead Continental went out of its way to conform to tha New Zealand way of doing things.

Take for example ibe Cootinental ad (above left) run in Australian trade magazines in March. This ad would not be run in New Zealand, Cootinaotal ad man Noel Rugg, from WHT Advartising and Marketing Ltd, said he advised Continental that about 5 per cent of peopla io this country would mis-read it.

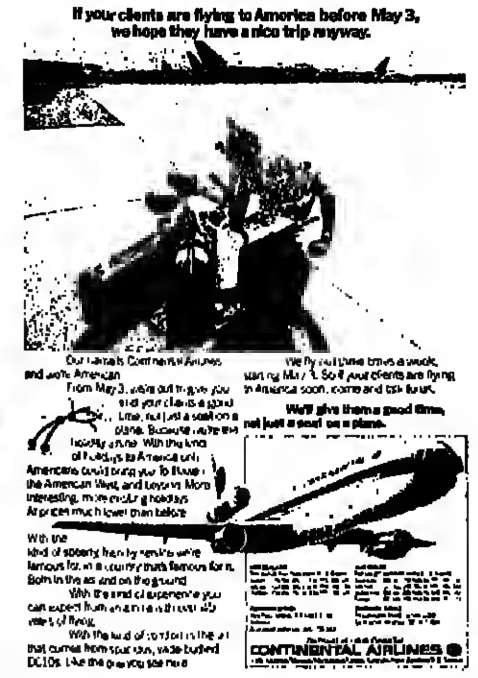
"We are the fun airline. In Australia ona can hava a bit of fun with a bit of borax but not in New Zealand," Rugg said. "We won't be doing knocking copy in New Zealand," he said.

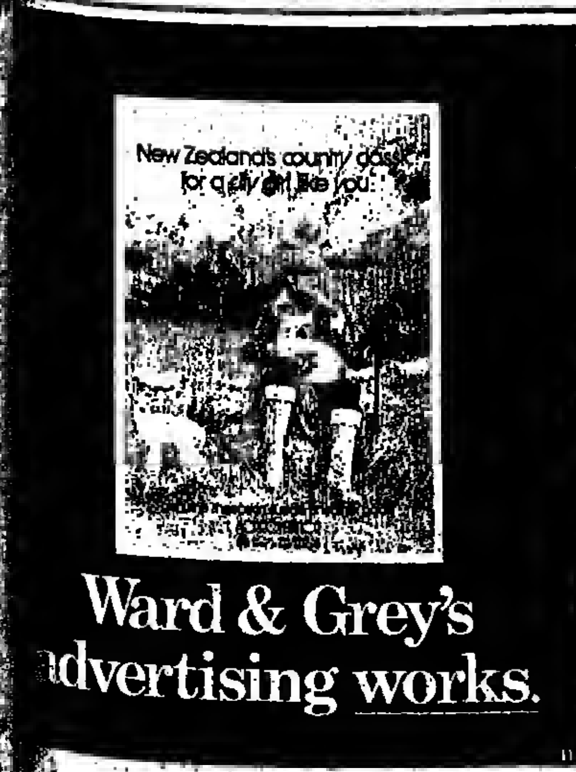
Knocking copy, according to tha Nawspaper Publishers Association, which prohibit its use by member papers, refers to advertisemeots that compara the product advartised with its competitors or knock tha competitors. One can't even say one make of car uses less petrol than braod X, eveo if it is true, accordiog to the knocking copy rule.

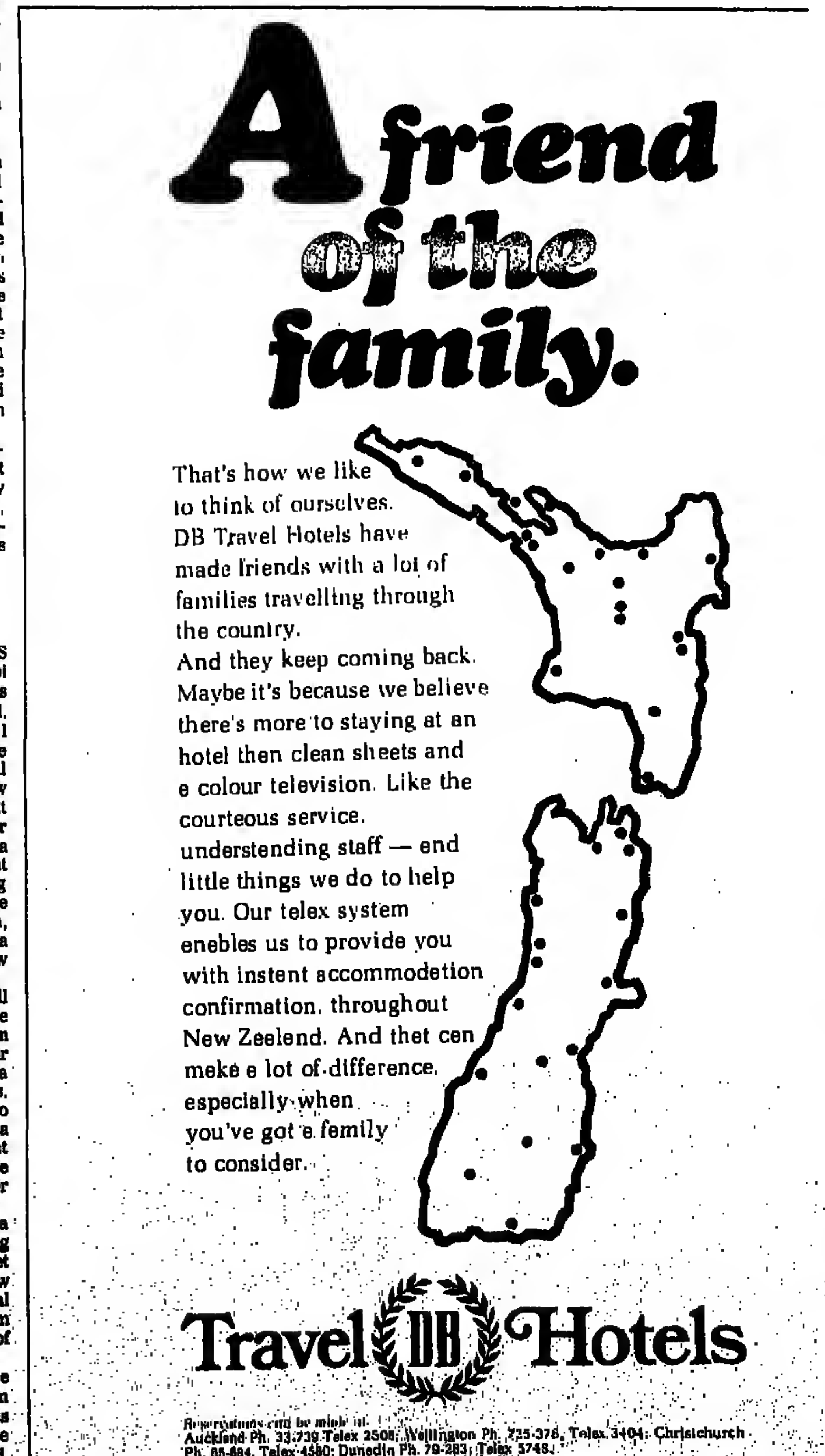
The second ad (below right) has been placed in Australian and Naw Zealand trade press. A modified varstoo will be available for public consumption.

The major salling point made by Continental was that as its passengars can be cleared through customs and immigration at Honolulu, they can avoid tha haesles of clearing through Los Angeles airport.

It all seems a long way from the brave competitive thrust promised by Continental some months ago.







Repeal of travel tax

I WISH to congratulata you on your March 7 NBR travel tax article by Duncan Campbell and we hope that this may be tha firat of many auch articles on this and other related travel industry questions.

My association aupports the repeal of traval tax as wa believe it is having a very detrimentel affact on New Zealand tourism in general. It is very difficult to prove that New Zaalanders ara purchasing their travel overseas, however, we have reports coming in from our members as well as from our principals that there are increaaing numbers of New Zealandera purchasing one way travel and using thair overseas travel allowance ar credit cards to purchasc onward travel, tours and return travai.

One af tha main reasons we believe for this increase la tha New Zealander'a desire ta aveid paying travel tax and if this is true then Gavernment is losing considerable revenue aa mentianed in Campbell's article. Our national carrier, Air New Zealand la placed in a very difficult poaltian and is nat anly losing revenue, but at the present time, is placed in a very difficulty poeltion in negotiating low cost fares as the 10 per cent travel tax must be taken into consideration in the negotiations with larger overseas based carriers.

From the view point of TAANZ, our members ara losing business to overseas agenta or airlines which means that commissions are being lost to New Zealand and there is a real possibility that our members will not make the taxebia profits they could maka and as a consequence of thia, the employmant opportunities in travel could be affected.

Peter J Lowry
Executive Director
Travel Agents Association

LETTERS

Wage/profit policy issue

MAY I comment on the reviews of my paper — Wagea and Prefits: Semc Policy Issucs, NZIER, October 1978.

Mr Campbell says (NBR February 21, 1979) referring to my advocacy of a "Swedish Model" approach and conclusions for New Zealand "that labour costs hava risen excessively threatening profitability, equity investment and finolly employment" and that "at one level the abservations are correct enough". As that leval seems to be the one of conventional economic analysis I em happy to leave the matter there. Hia other comments contributa neither apecific rebultals of my analysis, nor a coherent alternative analysla of the economy, in relation to employment, labour costs and profitability.

Mr Turkington has, similiarly, nat argued with the detail af my analysis, and the paper'a canclusiona but rather he suggests: that I don't pay enough attention ta taxes on profits, but where euch data was available and relevant I did include it (eg table 1, table A4) and was cereful to be quite specific in the text and conclusions (eg P25).

"The RBNZ data show that for public companies the ratio of pre-tax profits to total assests declined after the early 1970s, although this was offset, in after tax terms by the declining effective tax rate."

That I have done no more than to spot a cyclical variation, but without offering evidence to aupport his case. There is evidence of shorter cyclical patterns in wages and pricea, but my data indicates (fig 5) what looks like a sacular trend, from 1970-1979, with no evidenco of any cyclical or other comparable pattern between 1950-1970.

That I missed much of "the point" by not focusing more on farming end its declining share of national income. It was shown (table A4) but was given little attention because, given farming's small share of the lebour farca and especially of salary and wage earnors, it ia not of great direct importance to my arguments.

Like Mr Turkington, I have no doubts about the importonce of the farm sector for the viability of New Zealand ecanomy, and I have addressed the question elsewhere (eg The Pessibility et Economic Grewth, a paper to the Manawatu Economic Society, March 1978) but it was af little direct relevance to the arguments in question, although they clearly have major implications for the future of profitoble farm production and exporting.

The reviewers have not mounted a telling attack on my arguments and conclusions, but have declined to agree with them or to suggest alternatives. How does that contribute to informed debate and better policy recommendations? I did set out, the "aggregate demand" and "real wage" policy alternatives, with reasons for the direction of my conclusions. This key element was not even referred to.

T K McDonold
Director
Institute of
Economic Research.

Ad agency specialises

"WITHOUT a Word of a Lie" (March 7) contained at least two classic inaccuracies.

The first is that Dormer Beck Stuart Wearn was second contender for the "about to be dumped" National Party advertising. The inaccuracy here is that Dormer Beck Stuart Wearn no longer exists. It has, in fact, been replaced by a new company, Dormer Beck Campaign.

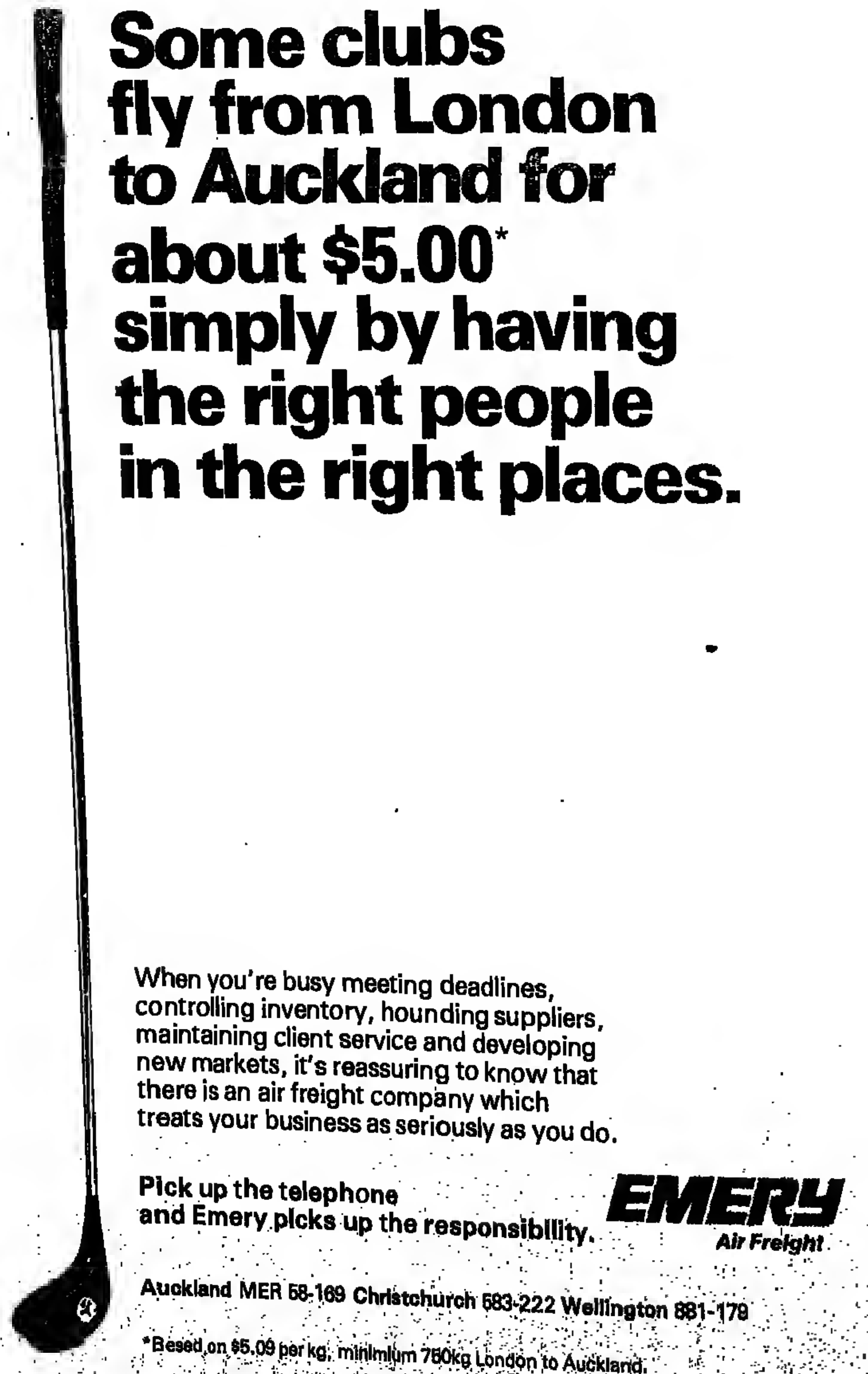
The second inaccuracy is that the agency, even with its new name accurately recorded, is on the list of contenders. We are not. Even without Colenso's experience, we know that election advertising is a serious disruption to normal [illegible]cy business. Our clients are with us year in and out, certainly don't [illegible] be adged aside for months every three while the key agency get caught in the [illegible] politica and elections [illegible] sure that if Colenso [illegible] prepared to back [illegible] standing client with [illegible] now atecked against [illegible] I alao heve a suspicion [illegible] is an inaccurate [illegible] from Colenso's point [illegible] then McCann, Erickson [illegible] ideal contender. A [illegible] Americanised [illegible] probably just [illegible] National Party needs [illegible] who better than Big [illegible] biggest advertising [illegible] his world-wide resources.

And wouldn't it be [illegible] somo of these [illegible] remitted profits [illegible] New Zealand to help [illegible] tha potentially [illegible] exercise that you [illegible] last) suggest that [illegible] advertising is.

[illegible]
Dormer Beck [illegible]

Surplus ca[illegible] in horses

FEW would dispute [illegible] are experiencing [illegible] recession, the worst [illegible]



GRP 9/EA 15NZ 3R

EMA: trying to crack small poultry farmer?

by John Draper

SMALL poultrymen ara demanding a Government inquiry into the Egg Marketing Authority which they claim ts trying to force them out of businss.

Faced with a messive and continuing egg surplus, tha authority has been imposing mandatory and "voluntary" restraints since 1970.

But the small poultrymen, who intend putting their case soon to Agriculture Undersecretary Rob Talbot, are willing to risk an open market rather than put up with tha authority any longer.

Ths authority has been autocratic and prapared to use the courts to back up its sanctions agatnat uncooperative producars.

Over the laat eight yeara, the authority hae parauadad poultrymen to reduce the number of laying hens from 4.5 million to 3.2 million, forcing more than 500 poultrymen aut of business in tha process.

But the authority is alill unabls to stop a surplus being produced.

Now it wants to cut production by two million dozen eggs a year, leaving a working surplus af six millian dozen.

Egg producers have been their own worat enemiee, finding every loophole in the authority'a restrictions to boost output.

In response, the autharity has been weilding, with Government backing, a legal coop leaving producers littla room for manoauvre.


ROB TALBOT . . . assurances

Talbot lat tha fox into the henhause at the poultry farmers' canference in Ashburton.

Ha told delagates the tima for reguletion was ovar, and that poultrymen should get in line with the Govsrnment's realisation that competitian is the only way ta inject life inta a flagging economy.

In words that would have cheered the emall producers, he slammed the autharity'a marketing policies aa "abysmal".

"The consumer does have a choice," he said in speech designed to give producers something to peck over.

"He can either buy your product or not buy it."

Efficient production was useless if the product could not be sold, or was not what the customer wanted, ha said.

Small egg producers' secretary ond Wolrarnpa poultryman Roger Hamlin says the authority'a advertising campaign went aff long ago.

"All they have ever done is plug the 'Eggmonds' line with Christchurch baking powder makers Edmonds."

He claims the authority's export performance is no better than its domestic promotion campoign.

"I came back from Hong Kong with an order for 250,000 dozen fresh eggs a fartnight, but the authority laughed."

The outhority'a goneral monager, Goen Kermode, says it is eosy ta be critical when egg sales are failing, as thay have been over tha last three yeara, partly dua to the migration exodus. Few peopla now "go to work on an egg", and the breakfast market haa tumbled by 12 per cent. Fast foods are naw aating into the market eggs ance dominated as the reedy standby.

Tha markat has naw stabilised and is showing signs af recovery.

"We raalise that wa have nat been as succinct as we might hava been in our pramation but we have been spending more an advertising aver tha last twa years," Kermode said.

Hamilton will ba urged to eat an egg cambo or two ar threa in a three-month campaign ta be launched soon. If successful, the pramotion will go nationwide.

Karmode is nat aympathetic towerds tha amall producers. If medium-size producers have found it uneconomic—and the number haa dropped from more than 1000 to 437 in eight years—then there ia little hope for the small man.

Big producers now dominate production.

Around 290 poultrymen with fewer than 1000 hens produce 5 per cent of the eggs marketed by the board; 437 produce tha rest. In 1970, there ware 1000 units with more than 1000 hens.

In its first attampt to cut production, the board ignored units with fewer than 1000 hena. Now every unit with more than 100 birds needs an entitlement—a licance to operata, setting out the maximum number of hens to be kept. After a mandatory cut, the authority is requasting a "voluntary" reduction in flock numbers by 15 per cent. Thoae not complying—and tha authority claima anly 2.2 per cent are nat—are being ardered ta pay $3.50 a chicken a year levy. Sevaral producers have already been served court aummonses for refusing ta pay.


FEWER EGGS FOR BREAKFAST ... uproar in the henhouse.

The price a producer receivee is an average worked out on a waighted sample from three broad catagories, under 1000 hens, medium sized, and large.

In effect the small producar helpa to keep the larger producers' prica up, while falling far short of his own breakeven point.

Gate sales, where the authority allows, at 12 cents ta 16 cents a dozen up on the official prices, are keeping the small producers alive.

The authority is not aager to give up its powers, which are almost total over commercial egg production.

But it is prepared to concede that there is some scope for relaxation, in line with National Party's realisation that campetition has to be restored to tha ailing economy.

And the mood may be extended to ather areas, though Talbot has aasured the Egg Markeling Autharity there will not be any legislative compulsian ta back up the Government's wishes. Talbot has indicated that restrictions on rabbit farming may be lifted, allowing poultry farmers to diversify.

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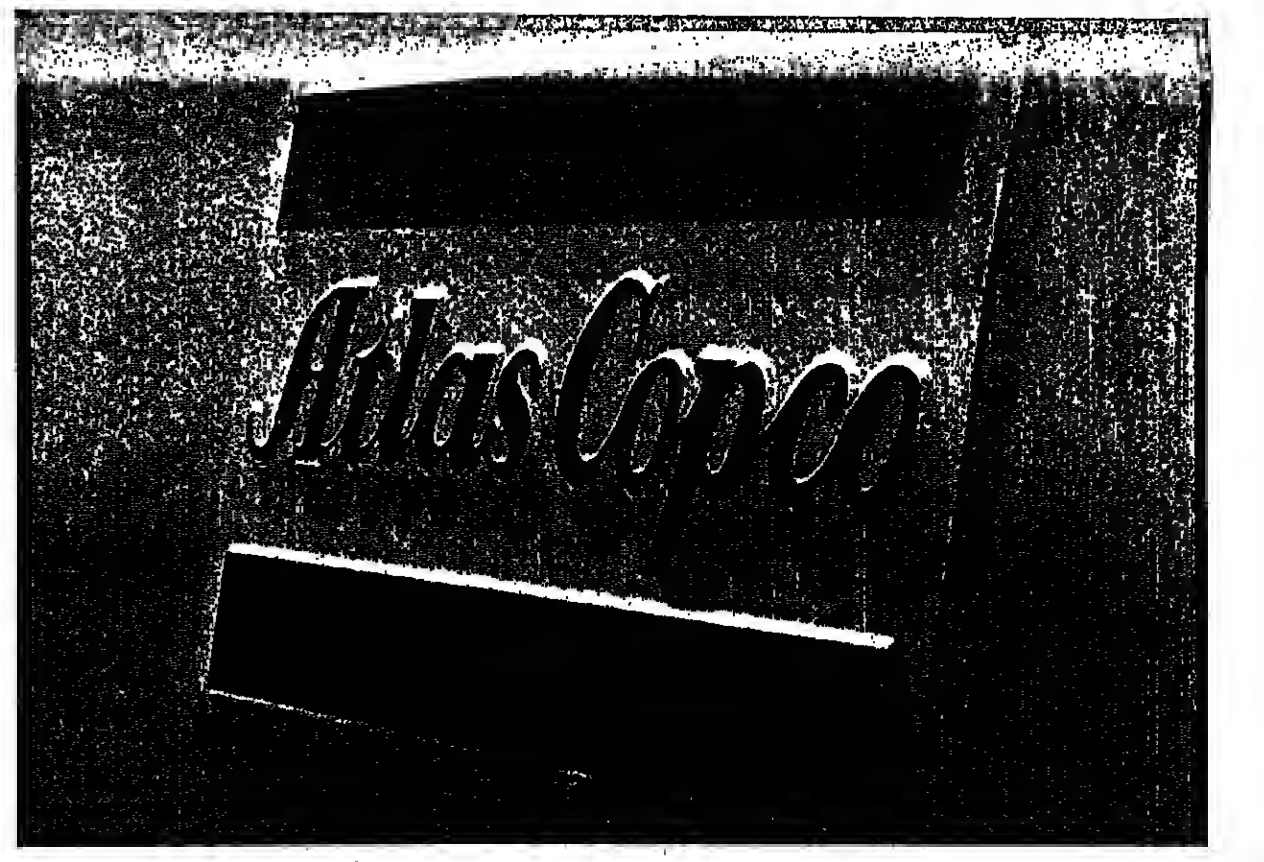

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ALAC tackles alcoholism through industry

by Belinda Gillespie

NEW Zealand industry must soon face facts that alcoholism is not a remote problem of public health, but a responsibility that employers and trade unionists must confront in the workplace. At least, it will if the Alcoholic Liquor Advisory Council is successful in promulgating its industrial programmes for those people with alcohol problems.

Judging by the crowd at ALAC's Wellington industry seminar with union and employer representatives from state organisations as well as private enterprise participating, New Zealanders are keen to make up lost ground.

Scandinavia, the United States and Canada have had industry programmes going for more than 20 years. Australia followed suit only in the last few years, while New Zealand is making the preliminary moves with the recent appointment of an ALAC industrial liaison officer — Brendon MacDonnell.

ALAC's concern is promoting community awareness of alcoholism, expanding the facilities for its treatment and the more difficult problem of identification of the alcohol addict.

Drink-drive offences often point to victims of the disease. Recognition in industry by co-workers and supervisors is even more important in getting help to people at an early stage.

It is no longer accepted that the alcoholic must crash completely and make his own plea for rescue before he can be helped. The thinking behind the industry programmes is that early intervention is preferable, when most of the victim's life is still intact.

Much of the spadework behind the Australian programmes was done by Dr J Moon, now Medical Adviser to ALAC, and Ken Stone of the Australian Trades Union Council, both of whom spoke at the Wellington seminar. Brendon MacDonnell, and George Pearson, personnel manager of Qantas Airways were also on the programme.

GOOD HEALTHKEEPING

Stone prefers to use the tougher term alcohol "addiction" not "dependence." Alcohol addicts have a progressive problem, he points out, and the sicker they get, the more they deny it.

He said industry needs the health delivery scheme because the archetypal skid-row "alcie" was only about 3 per cent of the problem. The other 97 per cent of alcoholics, more often politely referred to as "problem drinkers", are evenly distributed in the workforce — from the lowest paid to top management.

Alcoholism has its major impact on a worker's most productive years from 25 to 50, and in MacDonnell's words is "the hole in industry's pocket" through which New Zealand loses an estimated $50 million a year. Most of those "flushed out" in industry programmes have a relatively long service record with their companies.

People in the early and middle phases of alcoholism continue to work at full-time, regular jobs, but usually with sharply impaired efficiency. From management's viewpoint, employees with drinking "problems" are those whose repeated over-indulgence reduces their efficiency and dependability. Their fatigue, uneven work pace, absenteeism and mistakes also affect the morale and performance of their fellow-workers.

Dismissal used to be the management solution to the problem of the alcoholic. The trade union response to this was to cry "victimisation" or "wrongful dismissal" and to spend much time and art in persuading management to reinstate the worker.

The alcoholic's first job dismissal is the beginning of his long slide — from then on each job he takes is successively lower in status and shorter in duration. Reinstatement is another way of helping him to dig his own grave. As long as he has a job, he can rationalise that he "can't be that bad," and has the means to continue feeding his addiction.

The problem drinker is a master of tactics which hide his habits from outsiders. He is often helped by his work mates, and others involved are unaware of his drinking pattern, because the signs of chronic alcoholism come on gradually over years. The unrecognised, "smothered for" employee is the target of the industry programmes. His repeated poor work performance, including a higher percentage of accidents to himself and his work mates, offers a clear, objective measurement of an area clouded with subjective emotional and social judgments.

Work deterioration, due to the use of alcohol, gives industry a simple, direct indication of alcoholism which avoids complicated clinical definitions and can be understood by management, supervisors, shop stewards, work mates, and the alcoholic employee himself.

When his behaviour is seen as undesirable in terms of the hard-headed world of work, the alcoholic is relieved from the pressure of more emotional judgments from home, church, and mates. In Stone's words: "The calm, detached tone of the job-oriented description acts to put the behaviour in an illness category where it can be treated rather than argued about."

The ultimate weapon is the job itself. "Should alcoholism continue without the required co-operation then the job is on the line." If this seems a harsh line, Stone notes that alcoholism is the fourth killer disease in the world. In New Zealand and elsewhere only heart disease, cancer, and the combined psychiatric disorders head it.

For an industrial programme to succeed, a collective approach is needed by management and the trade union. Both must agree that alcoholism is a treatable illness with the same "status" as other diseases.

George Pearson, speaking of the Qantas experience, said that in 1976 several long-serving employees had to be sacked because of poor work performance. Supervisors, union representatives and workmates recognised that alcohol was the cause of the problem, and it was obvious that the company's counselling and welfare services were inadequate to deal with it.

Following a program outlined by the Internatio[nal] Association of Machinists [and] Aerospace workers (one of [the] largest trade unions in [the] USA), Qantas began to [in]stitute its own alcohol programme in 1977. The [basis] of it is a joint [union-]management policy [adopted] and supported by [the] Australian Council of Trade Unions and the Qantas [unions] and management. Key [people] involved are a [union] representative, an [ad]ministrator who is a [senior] member of management, [an] alcoholism counsellor — [a] retired employee experie[nced] in dealing with alcoholics — and the company doctor.

They form a review com[mittee] which monitors the progress of all staff involved in the programme.

An education program for all employees included putting leaflets into pay en[velopes] and getting publicity in Trade Union publications. Supervisors and [union] representatives went through a training programme, and the com[munity] facilities to which alcoholics would be referred were reviewed. Anonymity [at] all stages is ensured, as [an] essential feature of the programme. While [self-]referrals and intervention [by] union representatives [are] encouraged, confrontation [by] supervisors is restricted [to] matters involving work per[formance].

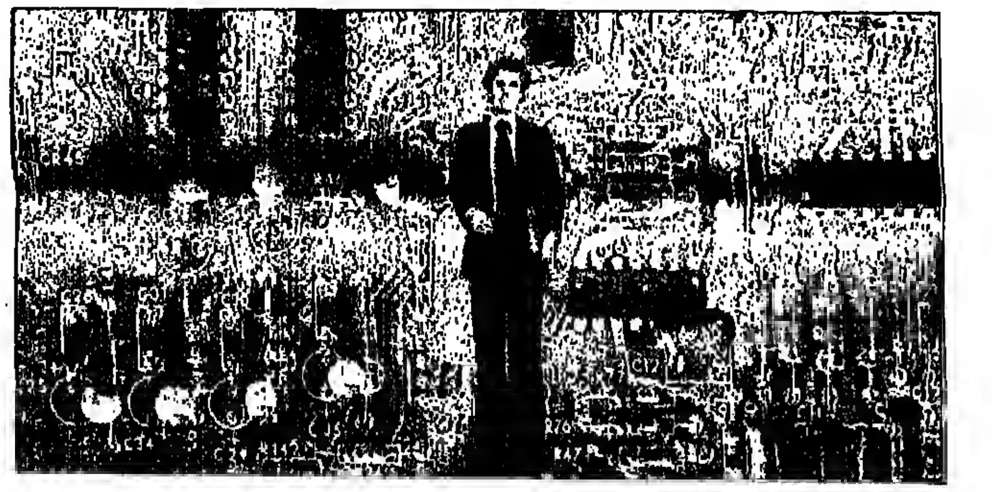
Pearson said [the] programme was slow [to start] because employees feared identification would lead [to the] sack. Eighteen months [later] there is an increasing [rate of] self-identification. Of [those] referred, three-quarters come forward themselves. Most of these have [been] successfully rehabilitated.

On the New Zealand scene few companies and government departments have [in]stituted their own alcoholism programmes. Lion Brew[eries] Hotel Division, the New Zealand Post Office, and New Zealand Steel Ltd are [among] them. The New Zealand [...] is at the preliminary stage, having issued a [policy] statement.

Brendon MacDonnell pointed out some of [the] economic advantages [to] employers in setting [up] alcoholism programmes. [...] per cent of all workers [are] "troubled employees"; [of] these, 6 or 7 per [cent] have alcohol-drug problems. Each alcoholic costs his [em]ployer 30 per cent of his [wage], the percentage increasing [as] the problem progresses.

The cost of a program[me is] minimal — it is actually pretreatment programme [not] an expensive medical [...]. Training of supervisors [con]centrates on "technique [of] confrontation" and is aimed [at] identification of the [work] problem, not weeding [out] alcoholics. Supervisors [are] taught to look for alcoh[olism] but only to supervise and [take] steps to correct unsatisfactory performance.

When you get past the nuts and bolts...



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* National Business Review: profile of the decision-maker ... Heylen Research Centre, 1976.

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Simple, clean, classical. Three words that best describe this bold new design. From the smooth front with its squared-off headlights, to the wrap-around rear tail lights, this is a car designed with two overall concepts in mind – enduring style and more usable space.

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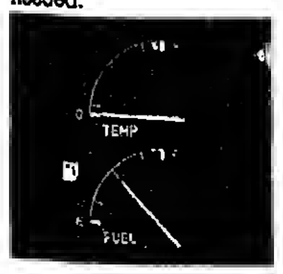
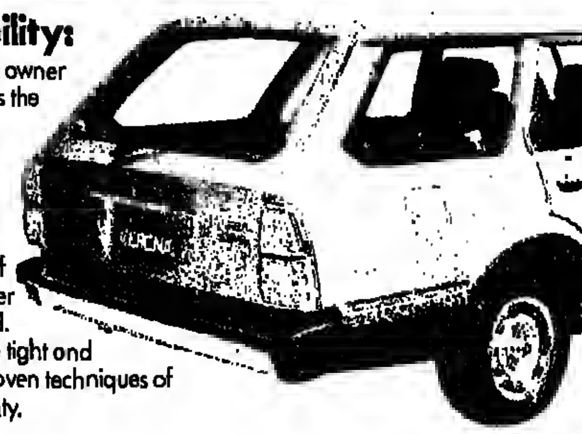


A special feature to remind you of Corona's economy – the petrol gauge monitors the amount left in the tank – even when the ignition is off!

Your kind of reliability:

If there's one kind of owner that must have total reliability it's the family man. New Corona is engineered on demanding principles of long life. Toyota engineers have been able to perfect reliability that surpasses even the previous Corona – itself a standard of reliability that other manufacturers have long envied. Construction is typically Toyota – tight and tough and includes the latest proven techniques of protective and preventative safety.



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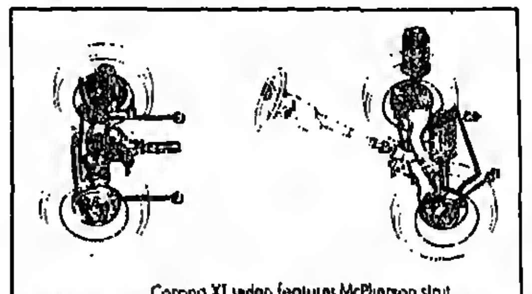

Corona XT sedan features McPherson strut suspension complete with stabiliser bar up front and 4-link lateral rod, coil suspension in rear. The improvement in ride and handling is quite outstanding.

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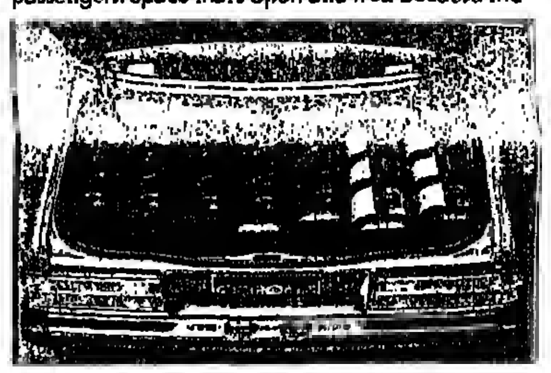
We believe that new Corona is the most comfortable and the quietest family car you can buy. This comfort and quietness was not easily achieved. Thicker, sound absorbing material is used extensively throughout. A remarkable new bulkhead deadening system has been introduced.

Thick, pile carpets cushion the floor. The seats, in the tradition of Toyota, are deeply cushioned, fully cloth covered and fully adjustable.

Your kind of space:

Space. The word that goes best with new Corona. Space for more luggage. Space for five passengers. Space that's open and free because the



windows are high and wide. In the cabin, legroom and particularly shoulder room is greatly improved. Importantly for the family man, the new Corona's boot is deep, wide and long and – as the photograph shows – it can easily accommodate the most demanding family man's cargo.

New Corona. Your kind of investment.

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CURRENT INVESTMENT PRICE:
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Also available with automatic

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Optimistic projections predict 400 per cent rise in jobless by 1986

by Warren Berryman

CALLS for economic restructuring provoked the predictable knee-jerk reflex from the Manufacturers' Federation. Abandon import licensing, and the economy would be cast into dark disarray with thousands unemployed . . . or so the manufacturers would have us believe.

It was not so long ago that we were being told that the major impediment to growth was over-full employment with cheeky workers who could go next door for a job if they didn't like their boss.

But now, with 50,000 unemployed or on special work schemes, New Zealand's productivity has dropped to zero and GNP growth to less than 1 per cent.

Rob Muldoon has adopted a know nothing — do nothing stance, attacking the economic intelligentsia rather than attacking the country's problems.

Muldoon has made one minor concession to the reformers. He will drop price control. But that move was so obvious one could only ask why he took four years to do it.

New Zealand plods on as before, failing to grasp the bull by the horns in our moment of crisis.

But maintenance of the status quo is unlikely to hold unemployment even to the prevailing unacceptable levels.

Given the most optimistic projections, based on present economic performance and economic structure, the current level of unemployment will increase by more than 400 per cent by 1986.

Population growth is almost static due to a decline in the birth rate, (down 14,450 from a peak in 1961), and a 26,708 net migration loss (36,972 immigrants arrived last year while 63,680 people left the country).

Statistics department projections predict an increase in population from the present 3,146,000 to 3,309,000 in 1986.

One might go further than the statistics projections and predict that due to New Zealand's growing economic unattractiveness, net migration losses might lead to zero population growth for the next seven years.

But this does not imply a lower number of people seeking jobs. The population might remain the same but the proportion of the population seeking jobs will be higher in the next 10 years than in the past.

The New Zealand birth rate rose to a high plateau from 1961 to 1972. The issue of this baby boom is now reaching employable age, (see graph).

A further factor is swelling the ranks of those seeking employment. Due either to changing social mores or economic conditions, an increasing number of women are now joining the labour force.

Thus, in spite of the zero population growth, the labour force is likely to grow at about 2 per cent a year.

This growth is not out of line with growth in the past. But in the past, job opportunities kept pace with increases in the labour force. In fact, New Zealand had to supplement the natural growth in the labour force with immigrants in many years.

During the period up to 1976 growth in the New Zealand economy was about 4 per cent. It is now less than 1 per cent.

If it can be assumed that the future will be like the past, future growth will depend on the balance of payments situation. Past expansions have always been brought up short when imports of raw materials and capital goods exceeded our export earnings.

If past is prelude and the Planning Council is right, to achieve a 3 per cent growth it would be necessary to increase exports by 5 per cent a year.

A 4 per cent yearly increase in GNP would probably provide sufficient employment opportunities for the growing labour force.

But real exports have levelled off after a dramatic rise in 1976-7.

Without a job in seven years

Given the fall in exports and the low growth in GNP, one might project in classical economic fashion that the number of job opportunities will remain stable until 1986 by which time the labour force would have risen to 1,489,000.

The present labour force is 1,305,000, of which about 50,000 are unemployed. The 1,255,000 job opportunities now filled will, thus remain constant. But there will be 1,489,000 seeking employment in 1986 leaving 234,000, or 15.7 per cent unemployed.

This dire prediction is based on the assumption that employment opportunities grow out of increases in capital investment and that capital investment will be inhibited by balance of payments problems brought about by falling or static exports.

While these assumptions held true in the past, there is no iron economic law stating that past will be the prelude for the future.

Production could be increased without an increase in fixed capital investment, with its associated balance of payments wrecking level of imported plant.

The most outstanding characteristic of New Zealand manufacturing, is its overcapacity. Few firms run their plant at more than one shift a day or operate on more than a five day week. This low utilisation of fixed capital pushes up unit costs of the products, especially since interest rates and exchange losses on the capital to finance that plant are higher in New Zealand than for our foreign competitors.

Many local industries could treble production with no increase in fixed capital, and at the same time treble employment opportunities, if they could sell the extra production.

But there is little incentive to follow this attractive option. Protectionism guarantees high profit levels for goods sold on the domestic market. Increased production entails a real competitive struggle on world markets. It is far easier to work one shift, take half day lunch hours, golf on Tuesdays, sail on weekends, and produce for an uncomplaining domestic market.

As long as the manufacturer has friends at Trade and Industry and/or a powerful lobby, his cosy existence is assured. For some reason the consumer, who is forced to buy his goods at two to three times the world price, never complains.

Even the Manufacturers' Federation, in their August 1978 Market Intelligence Report, admit that the reason for the fall off in exports is due to New Zealand manufacturers being priced out of world markets.

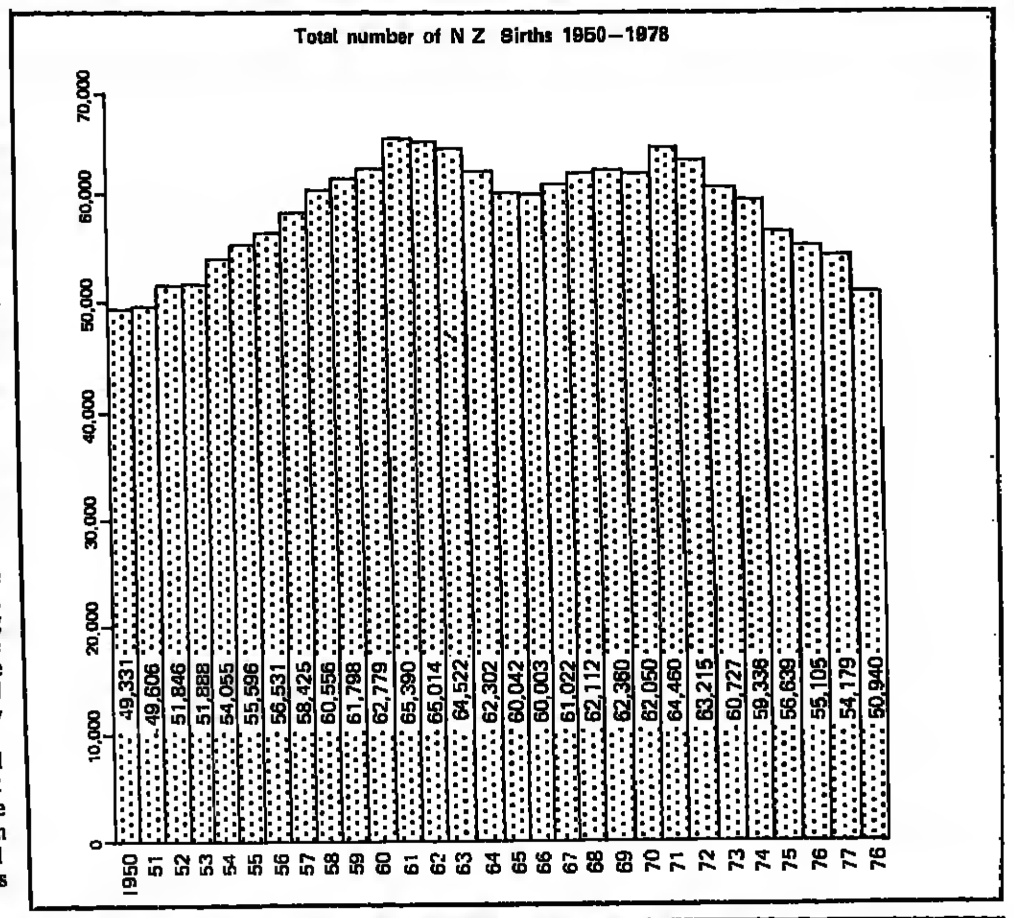
New Zealand has a highly educated and skilled workforce (by world standards) and pays them low wages (by Western world standards).

Barring cases where huge economies of scale are needed to remain competitive, the New Zealand manufacturer should be competitive on world markets. But many are not, and those that are are being dragged down by the whole protective structure of the New Zealand economy; shipping cartels that push up freight rates, protection of other manufacturers that pushes up the cost of his inputs etc.

There is at least one other option open for increasing GNP and job opportunities without large inputs of capital. Labour intensive horticulture such as the kiwifruit industry, or blueberry farming would involve little of the sort of capital input that would worsen the balance of payments but it could provide jobs and export earnings.

Even here, however, the Government's insistence on meddling in the marketplace with producer boards, marketing boards, licensing and other protective monopolistic inhibitions to free market forces could curtail enthusiasm for and efficiency in these new industries.

Barring fundamental changes, in Government approach, new horticulture ventures are likely to follow in the path of the traditional farming industry to low profits and falling production.



Job ads don't draw dole collectors

by Julie Malloy

ALMOST 1600 people are collecting the dole in Wellington — but few of them have been applying for unskilled jobs advertised in the city's morning newspaper.

A Labour Department spokesman said that nearly all the 1573 registered unemployed were unskilled.

On one recent Friday, Wellington's morning daily The Dominion advertised positions for at least 21 jobs which required no previous skill or experience.

Investigations into five of the advertised positions suggested that few of the unskilled workers on the benefit were actually applying for jobs.

Coates Bros (NZ) Ltd advertised for a general hand and received 17 applications. Only seven of the applicants were unemployed.

Factory supervisor John Lurch said he realised there were many genuine unemployed on the dole, but he felt that "as the Labour Department admits", there were people around who should not be on it.

He said some people applied for jobs knowing that they would not get them so they would have reason to stay on the benefit.

Another position, for a junior shop assistant at McKenzies Ltd, received six applicants. Only two of them were unemployed.

Only 15 unemployed applied for three jobs advertised on a recent Thursday — housemaid-waitress, storeman and cake shop assistant.

The Wellington District Superintendent of Labour, L J Cope, said most of the unemployed were young and unskilled.

He said there were job vacancies, but nearly all of these were for skilled workers.

Employers were becoming more selective, Cope said. They were demanding conditions of employment such as previous experience, skills and more mature employees. Many also did not want applicants with criminal records.

This left many of the unemployed unable to meet the conditions he said.

Penny Dover, assistant manageress of Access Personnel Employment Agency said unemployment was not as serious as the media made out. Many unemployment beneficiaries, were not trying to get work or were "too fussy" about jobs, she said.

Many unskilled workers still wanted a "fantastic" job despite the fact they had no skills to offer.

Dover said that many school-leavers were not prepared to resit public examinations such as school certificate to give them backing. They would rather be unemployed than repeat a year at school, she said.

But the employment agencies we contacted usually dealt almost exclusively with skilled workers and found a large demand for most skilled occupations.

There appeared to be a shortage of office personnel, particularly shorthand-typists and secretaries.

T Roberts, managing director of Job Centre, said he found few unskilled workers applied to the agency for employment anyway.

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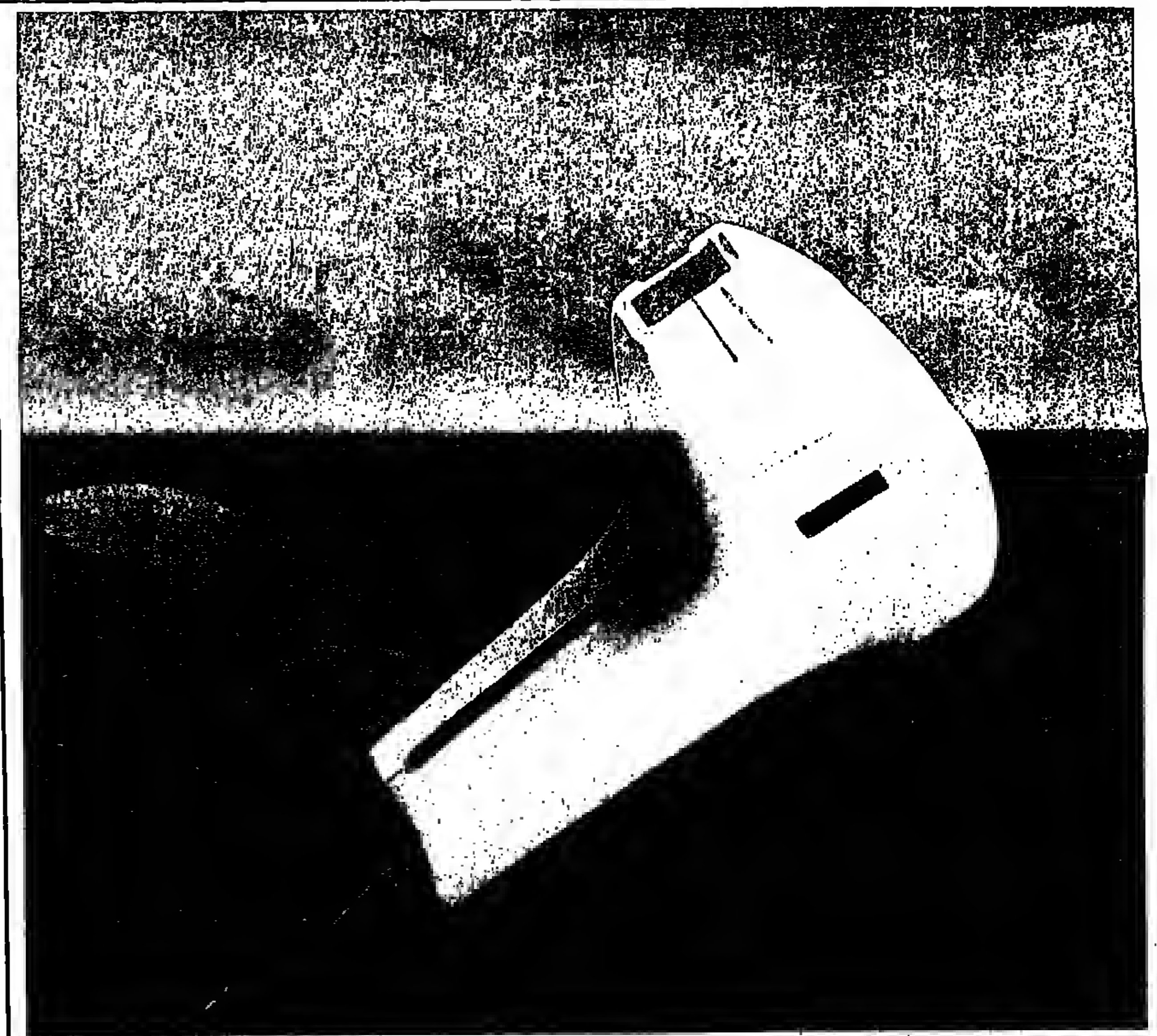

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Two channels, one channel: any lower bids

by Bute Hewes

FEW TEARS were shed for the old New Zealand Broadcasting Corporation when, just four years ago, on March 31, 1975, it passed quietly away. Nobody loved it any more.

Instead, we would have three bright new corporations — one for radio, two for television — and we were promised they would be free of the leaden bureaucracy that had weighed down old-style broadcasting. It sounded exciting.

Yet, with the fourth anniversary of that big upheaval, is broadcasting really that much better? Radio has livened up perceptibly, but television is still in a pickle.

Such a pickle, indeed, that it has been subjected to one administrative adjustment after another, the latest of them announced only a few weeks ago.

To cap it all, the Prime Minister has opened up the possibility that the second channel might be closed down or sold to a private buyer.

The seeds of today's television problems were sown early in 1973 by Roger Douglas, then newly appointed Minister of Broadcasting in Norman Kirk's Government.

Only a few weeks after starting that job, he arrived at a meeting of the Broadcasting Corporation and announced his plan to wind up the NZBC and establish a new structure.

It shocked corporation members, sitting in their Bowen Street boardroom, for there had been no previous discussion with them, no inkling that this cut-and-dried plan was to be tossed at them without debate.

But television producers and programmers welcomed it with a whoop of joy. They saw Douglas as the man who would overthrow the bureaucratic monster the NZBC had become and lead them to the Utopia they had dreamed of.

The intention was to emphasise that the people who really mattered were those concerned with programmes, and that the administrators should be their underdogs, not overlords as in the old NZBC.

New directors-general would be men with practical on-floor production experience, not bureaucrats. That promise was kept when the top jobs went to Alan Morris and Allan Martin, both popular and respected among producers.

The general understanding was that they would start from scratch, hand-picking people they needed in their teams and ensuring they would not be top-heavy with bureaucracy, like the monolith they were replacing. Staff levels would be kept lean and efficient.

It did not work out that way. Instead, jobs had to be found for everybody — yes, everybody — on the NZBC staff, whether or not they were worth keeping.

There were cases where jobs and titles were artificially created for the very officials whose weight had made the old system so cumbersome and dull. There was no way to discard them; the Public Service Association saw to that.

ROGER DOUGLAS . . . tried overthrowing the bureaucratic monster.

This was something the Douglas plan had apparently failed to take into account. It was a major flaw which dashed hopes of shaking off the public servants and leaving just the bona fide broadcasters to get on with their job.

TV1 came off best in the reshuffle. Most producers were in Wellington already and wanted to stay there to use the fine new studios at Avalon.

Besides, TV1 went into operation three months before TV2 was ready. That gave the second channel a lot of catching-up to do, and it has never quite managed it.

The TV1 network, using well-established NZBC engineering links, reached into every corner of the nation. TV2 began transmissions only to small chunks of the country, and has added to them bit by bit, but is still not nationwide.

The very name of TV2 made it appear second best. Wisely, it realised this and changed to South Pacific Television, but the "smaller brother" image still lingers.

Both channels were set the task of being competitive and complementary. That has proved impossible. The two aims are incompatible.

Competition inevitably meant a race for ratings, staking all programming policies on enticing viewers from the rival. That objective has taken so much precedence that it has swamped the aim of being complementary.

It was principally to improve this particular aspect of television that broadcasting chairman Ian Cross has decided on a new relationship between the channels.

His re-organisation will bring better pooling of production resources, to make them more economical and effective, and better co-ordination of programme schedules, to make them truly complementary.

It is a good scheme and it will work, but it will not solve all problems. For Cross made it clear that all jobs would be protected, with no redundancies.

He was right, up to a point, to give that assurance, for nothing sops the morale of television staff like the fear that their jobs may one day vanish in a periodic restructuring.

Yet over-staffing, many broadcasting people themselves say, is still the root of television's troubles. There are too many unwanted people cluttering up the channels, with nothing to do but create

IAN CROSS . . . tries pooling resources without redundancies.

paperwork that slows the whole pace of television from lively to dull.

Only the Prime Minister has been brave enough (or maybe rash enough) to suggest saving on wages and salaries by closing down the second channel.

That might be too drastic. Viewers, for all the grumbling, feel they are now entitled to two channels and would bitterly resent having one snatched from them.

It would certainly be unacceptable to the Public Service Association, which would insist on saving the jobs of all present staff.

Selling the second channel to private enterprise is another possibility. There are interested potential buyers, but they would need an assurance of no interference from the PSA to force them to maintain inflated staff levels.

Otherwise, there seems no way to reduce staff and cure the basic problems, other than the long-term "sinking lid" method, ensuring that those who resign, retire or die are not replaced.

Adjustments and structural changes are not over yet, not by a long way. Four years of tinkering have not got the system right, and all indications are that current Government thinking is that the biggest changes of all are still to come, perhaps quite soon.

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Glasshouse exports head to $280,000

by Warren Berryman

AUCKLAND-based Edenlite Garden Products Ltd, in just three years, has become the biggest producer of aluminium - framed glasshouses in Australasia.

General manager Tim Johnston said exports in the second year of operation were $98,000 and this year will exceed $260,000.

Most of these exports go to Australia.

But there is a problem on the home market. Johnston said he had to pay double the Australian price if he bought the glass in New Zealand. So the company exports only the frames and its Sydney-based subsidiary buys the glass in Australia.

The New Zealand glasshouse buyer has to pay as much for a locally produced one as the Australian.

The sole supplier of window glass in this country is New Zealand Window Glass Ltd, of Whangarei. It is protected against competing imports by import licence.

But it exports to Australia. It would seem that, if it were to compete on the Australian market, New Zealand Window Glass would charge the Australian consumer half the price it charges the New Zealand consumer.

New Zealand Window Glass accountant K G Gill declined to comment on prices, except to say that the company's prices were under strict Government control.

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Labour society leads face bob-a-day fines

by Rae Mazengarb

THREE Labour Party-administered incorporated societies will be asked to supply information on their accounts to the Justice Department's Commercial Affairs Division.

An inquiry shows that two of the societies have filed no returns since their incorporation in 1976. The third supplied seven years of accounts all at once in 1976, but has filed nothing since.

Some Labour Party members have said they are unaware the societies exist, and that they thus have no knowledge of their activities.

Others, whose names on Company Office records suggest they are supposed to administer the societies, were unwilling to discuss them and explain the failure to comply with the law.

THE LAW

Incorporated societies are required by law to file annual returns to the registrar.

If a society is in default, the registrar has the power to wind it up. According to the Act, every officer is liable to a fine of "one shilling" for each day the society remains in default. (It is understood the Incorporated Societies Act is due for updating shortly.)

The three societies which are behind with their returns are Labour Party Properties Incorporated, the Labour Party Supporters' Fund Incorporated, and the Wellington Labour Club Incorporated.

Labour Party Properties was incorporated in 1976 and has its registered office at 101 Vivian Street, Wellington. Apart from the rules of the society, and members, no other details have been filed.

ARTHUR FAULKNER . . . initial member of Labour Party Properties

The 15 initial members recorded on the file include Arthur Faulkner and Bob Tizard.

The subject of Labour Properties had provoked vigorous discussion at the party's Regional conference, according to one of the trustees, Ted Keating. But he was reluctant to explain further the activities of the group of societies.

Party secretary John Wybrow would be better able to supply information, he said.

One Labour Party member expressed concern to National Business Review over the lack of public information regarding the societies.

He said he had been unaware of their existence until it was suggested at the conference, — "by a New Zealand Council remit" that Labour Properties take control of all Labour Party buildings.

He claimed many other party members had been as surprised as he was, and because no papers had been furnished to explain either the society's activities or financial situation, the remit had been rejected.

The Labour Party Supporters' Fund also was incorporated in 1976, but aside from the society's rules, registered office, and the list of initial members (which includes Bill Rowling and party breakaway Gerald O'Brien), no other documents had been filed at the time of NBR's inquiry two weeks ago.

The Wellington Labour Club — incorporated in 1970 — has more information in its file.

It is understood the Commercial Affairs Division had a massive review of all 4400 files in the Wellington District Office around 1976. As a result, the society supplied annual returns late that year to cover the years 1970-76.

BILL ROWLING . . . member of Labour Party Supporters' Fund

Gerald O'Brien, Whetu Tirikatene-Sullivan and the late Sir Frank Kitts are listed among the initial members.

The society's secretary, Doug Foy, had recently indicated his resignation, according to executive member Margaret Shields.

The Wellington Labour Club owns property in Vivian Street which it leases to Labour Party Headquarters, and which has a 1974 Government valuation of $81,000.

Justice takes soft line with societies and concentrates on companies

COMMERCIAL Affairs Division head Brian McLay said the failure of three Labour Party-administered incorporated societies to furnish returns does not indicate the Justice Department's inability to administer the legislation effectively.

Wellington office files "tend to be in a good state", he said.

The three societies were linked and a pattern of failure to file statements was evident, but McLay rejected the suggestion that one staff member could not carry out an annual review of all 4400 files. He said others in the department were trained to do the work if necessary.

McLay and district registrar, A Berrett, both agreed that these three societies were not typical societies of the dog, cat or tennis club variety.

The department normally carried out an annual review "as and when we are about to do so", Berrett said.

He emphasised that most societies were run by volunteers, and said the department did not exercise the same degree of toughness when enforcing the Act as it did with companies.

Neither he nor McLay, nor junior officers within the department, could recall a time when the Act's penalty provisions had been used.

Referring to the "one shilling" a day fine, McLay said no one could pretend the Act should not be reviewed.

Berrett rejected the suggestion that a society could omit to file for 10 years or more without the department realising it.

Company files had to take priority because there was usually little activity within incorporated societies. Many remain "dormant" on the registry.

Since around 1976, annual reviews had been carried out. The procedure was for the department to write to societies and ask them to bring their files up to date and this would be done.

If it had already been done in the three Labour Party cases, that correspondence would not be on the public files.

The ultimate penalty would be to dissolve or wind up the society or societies.

Party secretary says incorporated groups were 'more or less dormant'

SOME of the Labour Party's incorporated societies were "more or less dormant," said party secretary John Wybrow when asked if they were still active.

Labour Party Properties had been set up eventually to become an umbrella society to ensure adequate administration of Labour properties, he said. But it didn't get the push it required because of the total preoccupation with the election.

At present, the society was "smouldering" away, but would be revitalised in the near future.

Would it eventually take over the Vivian Street property?

Wybrow said not necessarily — and that applied to the question of the Willis Street property.

The long-term benefits of the society's existence would not be seen for some years, he said.

The three societies in question are not the only societies connected to the Labour Party.

Most branches around the country have separate incorporated societies which act as the vehicle for the party's land ownership.

Labour Party Properties had been formed because of the difficulties created when trustees died, Wybrow said. The present trustee system lacked stability.

According to Wybrow, the existence of the societies had been widely known within the party.

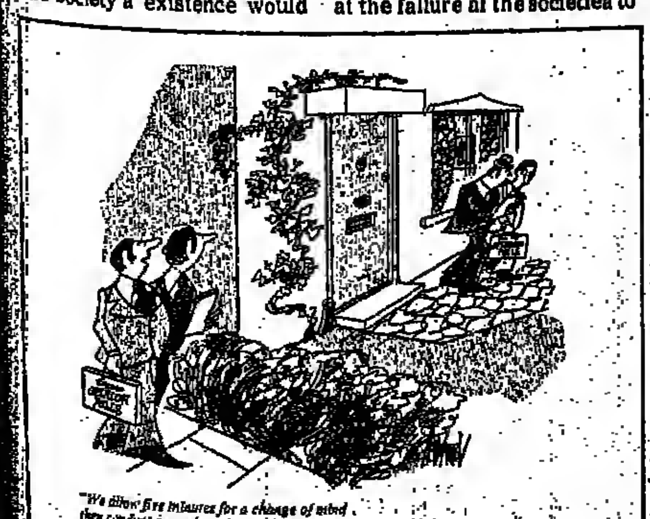
"It disappoints me that a Labour Party supporter should go to NBR", he said. "He has all the avenues in the party open to him."

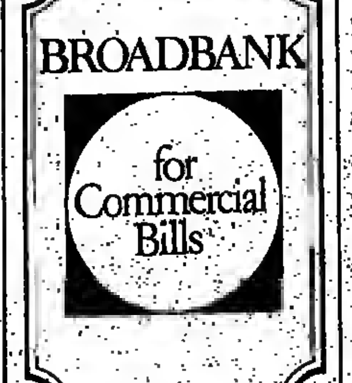
Wybrow expressed surprise at the failure of the societies to file returns.

JOHN WYBROW . . . would be revitalised in near future

"We were under the impression that they had been filed. We are discussing the matter with those who are entrusted to undertake the duty," he said.

In the case of Labour Party Properties: "It will probably be a nil return — or close to it — anyway."





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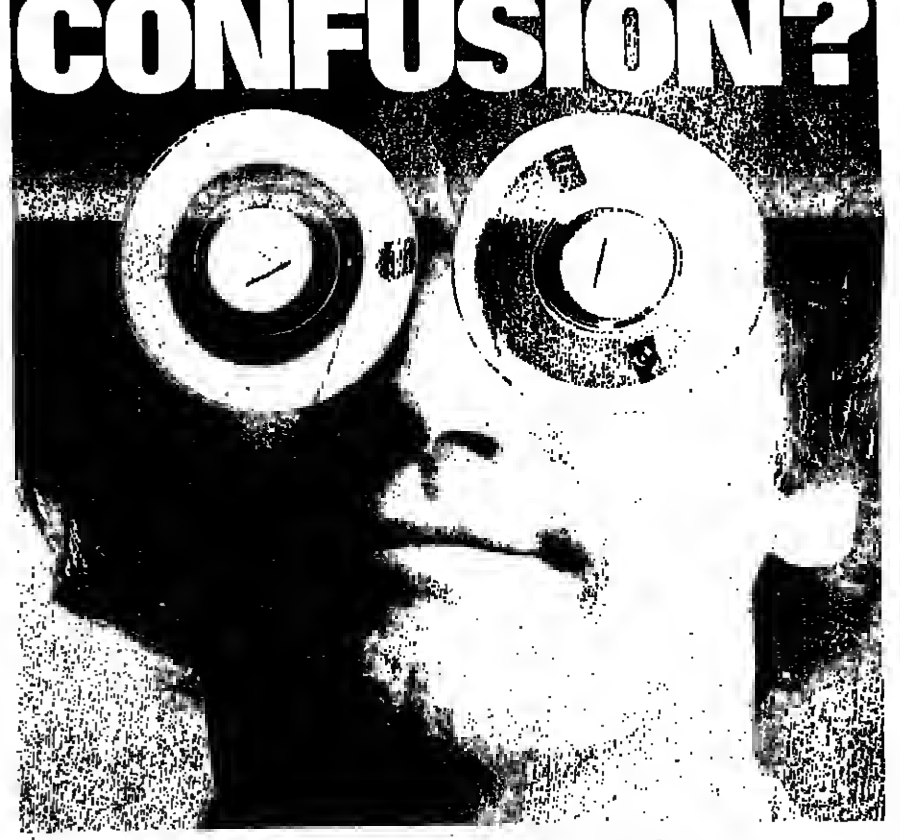

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